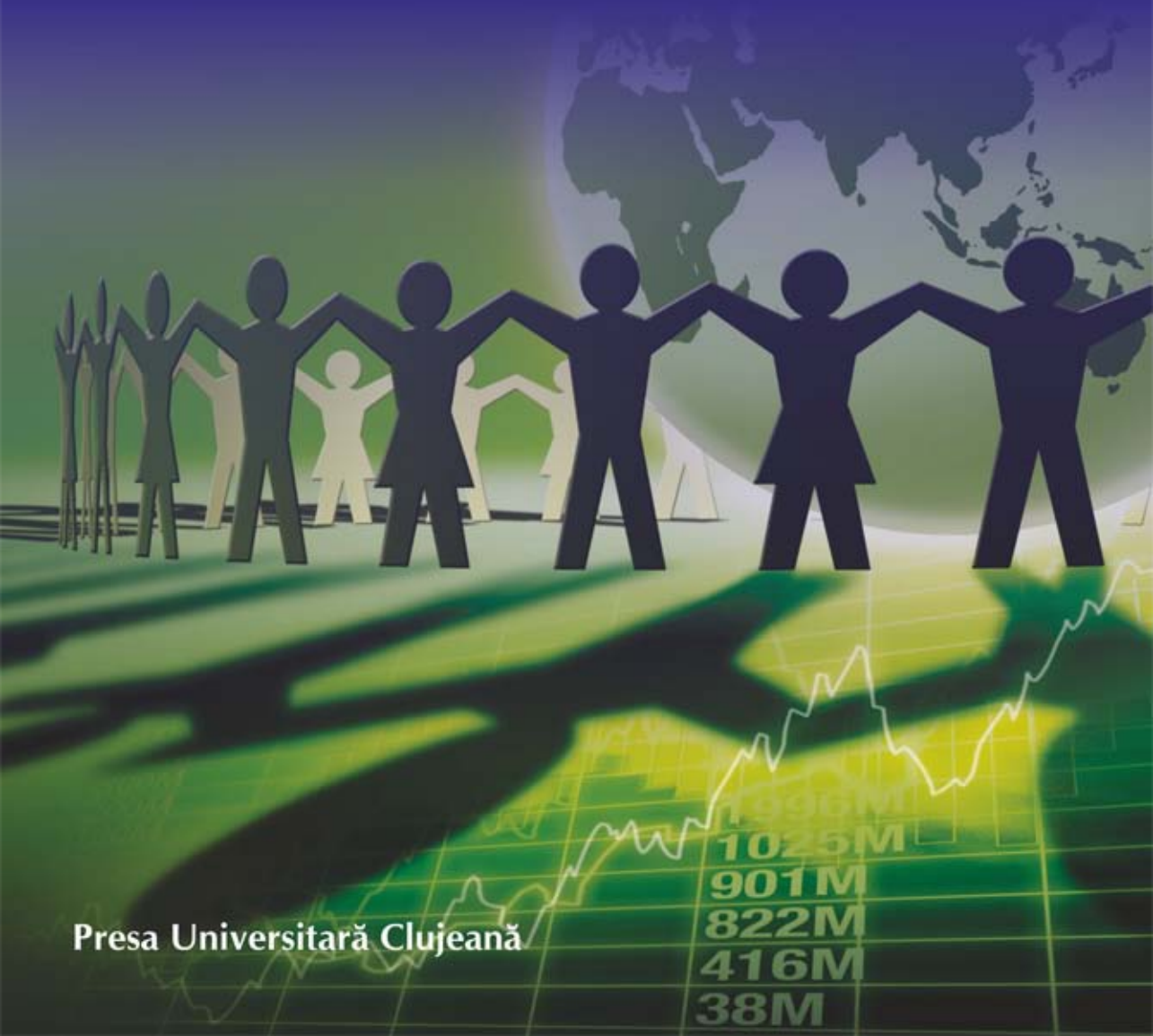


SORIN BLAGA

**CORPORATE
SOCIAL RESPONSIBILITY
FROM A ROMANIAN PERSPECTIVE**



Presa Universitară Clujeană

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FROM A ROMANIAN PERSPECTIVE

Referenți științifici:

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ISBN 978-973-595-680-6

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Babeș-Bolyai University
Cluj University Press
Director: Codruța Săcelean
51, Hasdeu st.
400371 Cluj-Napoca, Romania
Tel./fax: (+40)-264-597.401
E-mail: editura@editura.ubbcluj.ro
<http://www.editura.ubbcluj.ro/>

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PRESA UNIVERSITARĂ CLUJEANĂ / CLUJ UNIVERSITY PRESS

2014

APPROBATION

When asked to write an approbation for Sorin Blaga's work on Corporate Social Responsibility ('CSR'), I reverted naturally to a synthesis of psychodynamic and legal perspectives. *I wondered about how CSR might have come and gone over the various epochs of business behaviour. And I wondered who benefited from the epic corporate collapses of the last twenty years. Blaga's book answered my questions.*

Sorin Blaga's insightful project investigating corporate social responsibility in Romania sets up an international context formed by the various international organizations, such as the UN, EU and OECD. He notes how their facilitation of international data flow from research arguably removes manager excuses for lack of insight into CSR. Blaga outlines a continual stream of major corporate collapses, posing the question of whether management, as currently constituted, really understands and can act on business sustainability. *His work also asks whether this could defend them from the inevitable charges of negligence, or worse, for the large business collapses over which many contemporary managers have presided.*

Sorin Blaga's brilliant exegesis of CSR in Romania raises two crucial questions. The first is whether today's managers view CSR any differently to managers in any other country. The second is whether CSR represents abandonment by the state of its arguably ancient role in supervising the modern version of Imperial Rome's *collegia*.

The first question is answered in Blaga's work in the negative, apparently because of a dependence on managers' personal capabilities and perspectives in a turbulent financial environment. The suggestion is that businesses have been looted by installing unqualified officials to manage them.

Blaga answers the second question in the affirmative, as governments struggle for financial recovery after the Global Financial Crisis. His work suggests that this might be through requiring a statutory minimum standard of CSR competence by managers. All this arguably points to a need for strong government regulation of business, dialectically opposing free market rhetoric. But this is nothing new. In ancient Imperial Rome, of which Romania was once a proud integral part, the Emperor routinely abolished *collegia*, summarily, if they lost their CSR way.

I recommend this work to the reader and urge that any auditor will read it with the widest possible and most generous interpretation.

Dr. Gary Lilienthal,

PhD, LL.B., Grad. Dip. Legal Pract., M. Psych. 25 July 2012.

APPROBATION

Over thirty years ago there emerged a couple of trends within business which were somewhat peripheral but still important. The first was Business Ethics which focused on the ethics of the individual in business. The second was environmental where issues around the environment were macro and seen as an issue for government. While both were important, there was a gap in the market which eventually became called Corporate Social Responsibility [CSR].

This is probably one of the first books to provide comparable national profiles that describe the evolution and practice of Corporate Social Responsibility (CSR) in Romania. Sorin Blaga has helped us in two ways. First he has produced in Chapters 1 and 2 a readable synopsis of exactly what Corporate Responsibility is. So often when new concepts emerge they become showed in a language of the insider. Sorin has helped us navigate past that. Chapter 3 constricts CSR down to a broad European context and out of that milieu he focuses on his case study of Romania.

This book is an important contribution to what many would consider as a peripheral issue but clearly will become more and more central to the operation of both the corporate world and general society in the years ahead. From this perspective the book is an important contribution to understand where Romania is situated in regards to CSR and what is needed to do to move forward.

Dr. Jeffrey Cohen, FRSA,

University of Western Sydney, Australia.

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List of Abbreviations

ADRA – Adventist Development and Relief Agency
ARC – Association for Community Relations
ATC – Agreement on Textiles and Clothing
BSCI – Business Social Compliance Initiative
CCIR – Chamber of Commerce and Industry of Romania
CED – Committee for Economic Development
CEO – Chief Executive Officer
CG – Corporate Governance
CSP – Corporate Social Performance
CSR – Corporate Social Responsibility
EC – European Commission
EEO- Equal Employment Opportunity
EU – European Union
FDI – Foreign Direct Investment
GDP – Growth Domestic Product
GFC – Global Financial Crisis
HR – Human resources
IBLF – International Business Leaders Forum
ILO – International Labour Organisation
IMF – International Monetary Fund
ISO – International Standards Organisation
ITMF – International Textile Manufacturers Federation
MNC – Multi-national Corporations
NGO – Non-government Organisation
NPO – Non-Profit Organisations
OECD – Organisation for Economic Co-operation and Development

OHS – Occupational Health and Safety

OHSAS – Occupational Health and Safety Assurance Standard

R&D – Research and Development

RBA – Reserve Bank of Australia

RQ – Research Questions

SME – Small and Medium-sized Enterprises

T&C – Textile and Clothing

UNDP – United Nations Development Program

UNWCED – United Nation World Commission on Environment and Development

WB – World Bank

WBCSD – World Business Council for Sustainable Development

WTO – World Trade Organization

WWI – World War I

WWII – World War II

FORWARD

I can describe myself as a scholar committed to management practices, social justice, ethics and environmentalist. All my research focuses on these important topics and therefore my writings are intrinsic connected to issues of good governance, social responsibility, justice, social representation and sustainability.

The book has an interdisciplinary character and general application in any developing economy being in the same time a forum for anyone interested in the field of Corporate Social Responsibility (CSR) and Sustainability. I can see this book as closing up a knowledge gap in CSR literature and it is useable, but it is not a manual in its pure, savvy meaning. It is rather a model of systematical thinking and analysis of Romanian complex social issues in respect to CSR. Certainly there will be pro and cons opinion about the book, but right from the beginning, I would like to express my view that the book could be a catalyst for more and deeper research into CSR in Romanian society and beyond. The book is actually a beginning, an open door for further research and a contribution to CSR literature and management practices. However, everybody will be delighted to hear about your new CSR experiences and practices and this can be seen as part of an ongoing dialogue about how to develop Romanian society.

The purpose of this book is to identify Romanian managers' Corporate Social Responsibility (CSR) sense-making systems, and the rationale behind their adopting CSR and the changes implemented by Romanian organisations from the textile industry in accommodating CSR elements. Research data came from semi-structured interviews of Romanian managers from textile industry which were NVIVO processed to get nodes and code organised in a matrix which facilitate the conclusion process. The study begins by analysing the impact of the Romanian business environment, such as employment practices, environment management, reforms of the legal system and even corruption, on the understanding and application of CSR. Companies' CSR performance is assessed mainly by conducting an inventory of the organisations' CSR related actions. The research reveal managers' personal capability in developing a rational and realistic map of the environment in which their organisations operate and their sense-making of CSR concepts. The book envisage that Romanian companies are not demonstrating much enthusiasm for showing themselves as being socially responsible, and their CSR understanding is

shaped by the business environment in which they operate. CSR theories applied by the Romanian organisations in their daily routines are identified, and the concept of trust, as connected to the process of CSR adoption, is explored. The progress made by Romania in reforming its institutions and in creating a new business legal framework, including the shortcomings of the legislation especially in the enforcement area, are analysed. The research main contribution relates to the process of CSR adoption in countries with economy in transition.

The author

CHAPTER 1

Introducing Corporate Social Responsibility

The last twenty years were marked by a series of events with repercussions all over the world, which have placed Corporate Social Responsibility (CSR) high in the minds of the business community (Aguilera and Jackson 2010, p. 486). CSR and Corporate Governance (CG) concepts are related and mutually support each other (Van Marrewijk 2003; Jamali and Rabbath 2008). The OECD¹ Principles of Corporate Governance² state: ‘the board members should act in the best interests of the company with due diligence and care’. In most countries company legislation now stipulates that managers should perform in the *best interests* of the company’s shareholders, which involves key elements of corporate social responsibility. The devastating bankruptcies of WorldCom, Enron, Parmalat, and Lehman Brothers in the United States, and the Global Financial Crises, has increased public awareness and demands for businesses to be more socially responsible. The recent financial crisis has been widely attributed to unethical behaviour by corporate managers as well as lack of institutional control (Muskal 2011). The financial crisis has precipitated the most significant economic crisis since the Great Depression and governments around the world have injected billions of dollars to avert the bankruptcies of large banks. The resulting economic downturn has created high levels of unemployment world-wide. Recently, the International Labor Organization estimated that the total number of unemployed reached 210 million people in 2010 (ILO, 2010). In this respect, many international institutions consider CSR a top priority for the international community, in order to prevent such events happening again. International regulatory organisations like the World Bank, European Union, and OECD have developed their own definitions of CSR as a means of guidance for their members. For instance, the World Bank (2006) defines CSR as:

the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for development (World Bank, p.4).

¹ Organization for Economic Co-operation and Development (OECD) is an international economic organization of 34 countries founded in 1961 to stimulate economic progress and world trade.

² First released in May 1999 and revised in 2004.

There are a lot of specific guidelines in the documents of these organisations promoting responsible business conduct to stimulate governments' legislation regarding environment and society at large.

In this complex economic environment, international institutions such as the World Bank, European Union, and OECD have developed special programs for developing countries, including Romania, in order to develop their CSR capacity with a view to integrating them into the wider European and global economy. The following section will review the literature with a significant impact on CSR development.

CHAPTER 2

Short history of CSR

2.1. Introduction

The purpose of this chapter is to provide a time line for the development of CSR concepts from early human economic activities and their impact on human behaviour and community expectations by establishing “behavioural norms” as precursors of CSR.

2.2. Social responsibility and related concepts

Many religious studies describe human behaviour and activities in the context of the religious beliefs (McGraw 2007). The biblical parable of the Good Samaritan is an example of a human being sharing his wealth with his fellow countryman, which shows a sense of responsibility to his community. In Romanian philosophy, for example, Lucian Blaga’s³ (1943) religious and social views underline the proclivity of human beings to infuse their daily activities with religious meanings, which ensures mankind performs good deeds. Also, Mircea Eliade⁴ (1978) wrote that for human beings to make sense of divinity they have to act in a particularly moral way.

Human behaviour, and the rationality of it in a given social context, is the basis of the ‘thick description’ methodology used by Clifford Geertz⁵ (1973) who conducted ethnographical research in Javanese villages, connecting villagers’ multi-religious beliefs with their social behaviour. The proclivity of connecting human beings’ activities with particular moral behaviour is a Christian characteristic, which can be found in the entire Western world right up to contemporary American society, which has become the basis of philanthropy in that country (Cohen, J, 2002).

³ Lucian Blaga (1985-1961), a Romanian philosopher and poet, was professor of literature and philosophy at the University of Bucharest.

⁴ Mircea Eliade (1907-1986) was a Romanian historian of religion, and a philosopher and professor at the University of Chicago.

⁵ Clifford James Geertz (1926–2006) was a highly influential American anthropologist and professor at the Institute for Advanced Study, Princeton, US.

There is a difference between ‘faith’ (which is related to divinity) and ‘responsibilities’, which includes the duties and obligation of someone to accomplish some tasks in the ‘right’ way and to an expected level (MacLeod 2011). If one fails in accomplishing these obligations there will be penalties involved. A good example of society’s religious beliefs and ‘responsibility’ is making the slave trade illegal in the United Kingdom and America. In the US, the Christian meaning of the ‘right’ thing to do underlies strong support for public policies or social expectations (MacLeod 2011).

Religious concepts of ‘right’ and ‘responsibility’ correlated with divinity as the distributor of rewards or penalties, have played a regulatory role for the society giving some consistency to commerce and economic activity in the absence of any other legal authority. If someone decodes the religious meaning of ‘right’ and ‘responsibility’, they will generally come up with a similar set of social and human values such as ethics and morality, which are common elements in Christianity, Buddhism, Islam and Judaism and which are also elements embodied in CSR (Brammer, et al, 2007). The concepts of ‘right’ and ‘responsibility’ have now made their way into modern companies and corporations where they have undergone numerous transformations reflecting contemporary social developments. As society developed and the human being has become a *homo civicus*, their business activities are performed in much more sophisticated forms of organisations called ‘companies’. Here, it is worth mentioning, is the root of the meaning of the word company. The word ‘company’ came from the combination of the Latin words *cum* and *panis*, literally meaning ‘breaking bread together’ (Arndt 2003), which clearly shows the social and communal connotation of the word.

Elements of CSR have been present in countries with different social structures, acting in different historical and economic conditions from a very early age. However, elements of a communal responsibility, more or less religiously supported, can be recognised in very early human economic activity and one can say that the concept is as old as commerce itself.

The oldest written document about ‘business’ obligations is the Hammurabi Code which was introduced in Ancient Mesopotamia at around 1700 BC. Brutal penalties, including the death penalty, were given to trades people such as builders, lodge keepers or farmers who on purpose, or by their careless actions, contributed to the deaths of other community members, or caused a nuisance to local society (Trombly 2006, p.4).

Written documents proved that in Ancient Rome, merchants and traders had to pay taxes in order to support the Roman army, which shows their clear fiduciary duty. Senate records of ancient Rome show complaints about businesses’ ability to make

satisfactory tax payments to finance Rome's military operations (Herbermann 2007). In 109 AD, according to Dio Cassius the Roman historian, the local inhabitants of what is now modern day Romania had to pay taxes to build roads, support the Roman army as well as perform compulsory work to build fortifications (Ackner and Muller 1865/2010).

Also, some duties on businesses were established in the fourth century, during the Qing dynasty in China, as is revealed in *The Book of Lord Shang*, when strict laws were put in place to regulate commerce and keep the streets clean (Duyvendak, 2003).

Much later, in Medieval England before Edward I, the day-to-day life of businesses included the cleaning and repair of town streets (Ross 2010). Shortly after, city councils began to take over more tasks including street repairing. In 1622, in what seems to be the first corporation, concerns of shareholders in the East India Company were publicly expressed when they rejected management excesses and unscrupulous rent extraction activity (Sainsbury 1878; Brass 2007).

In France, Article L110-1 of The Napoleonic Commercial Code, implemented by Napoleon I in 1807, establishes very clearly all obligations and rights of suppliers, agencies, business offices, auction houses and public entertainment organizers (Schmitthoff 1987). The Napoleonic Code, as it is known in the literature, was one of the earliest official modern regulations to be recognised in a European country, which established that businesses and their stakeholders were required to undertake community responsibilities.

Prior to the Napoleonic Code, the Codex Maximilianeus Bavaricus Civilis, (applied in 1756 in Bavaria), and the Allgemeines Landrecht, (imposed in 1794 in Prussia), established businesses' communal duties (Hartkamp and Betlem 1994). All the above examples show the geographic and temporary perspectives of businesses' duties which are embodied today in the concept of CSR.

At about the same time, Adam Smith (1776) the political economist, published his now famous book *An Inquiry into the Nature and Causes of the Wealth of Nations*, which expresses the view that society's requests and demands 'could best be met by the free interaction of individuals and organisations in the marketplace' (Nelegadde 2010, p.3). His writings initiated thinking around corporate social responsibility combined with some religious ideas, where business people were conscious of the need for paying back the public for creating the 'wealth of nations', and the necessity of financially supporting activities which contributed to the general progress of society (Smith, 1776). Smith's views are not widely accepted even if the triumph of the market was eventually recognised (Marshall

1920; Martin 1990). The *Wealth of Nations* also shows frequent cases of the harmful egotism of capitalists working for personal benefit at the cost of the community. It is worthwhile to mention Smith's view, that competition was considered a practical factor which guaranteed that individual businesses were closely controlled by a power they could not undermine. To conclude, one can say that Adam Smith's argument that the free market is ethically acceptable because of its social usefulness, even if the social usefulness prevails over any prejudice that might affect the economy, is essentially unacceptable.

2.3. Philanthropy and the rise of CSR

The charity principle known now as 'philanthropy' opens a new chapter on the history of corporate social responsibility. The Industrial Revolution generated fundamental changes all over the world. In Britain, and especially in the US, large new organisations grew and developed into corporations with huge economic power. Their owners became, almost overnight, rich and powerful people. The period of 1760–1830 in Britain and the US was characterised by brutal competition which did not leave much room for worries about the impact of the corporation on society (Ashton 1948, p. 4). For example, in 1884, the US President Rutherford Hayes made the following prophetic statement:

This is a government of the people, by the people and for the people no longer. It is a government of corporations, by corporations, and for corporations (Hayes 1884, p. 144).

During the Industrial Revolution, regardless of the vicious aspects of capitalism, there were a few remarkable tycoons with a lot of common sense in evaluating the impact of their own company's activity on society. These tycoons questioned themselves to see if they owed some responsibilities towards society, and later went on to become the great philanthropists of all time.

Born in Scotland, Andrew Carnegie immigrated to Pennsylvania in 1848 and became a famous philanthropist following profitable investments in the steel industry in the 1850s and in the financial world. After he became wealthy, he expressed his views in his influential paper, *The Gospel of Wealth* (Carnegie 1889), where he openly accepted the duty of the wealthy to help society. Carnegie acknowledged that a grandiose way of life and enormous affluence was wrong as your needs are fulfilled only by a fraction of your wealth. In his book he expressed a high level of approval of taxing the possessions of deceased millionaires, by saying that:

By taxing estates heavily at death the State marks its condemnation of the selfish millionaire's unworthy life. It is desirable that nations should go much further in this direction (Carnegie 1889, p. 656).

Carnegie also stated that companies should not only be apprehensive about profitable activities, but they should also be concerned about:

The problem of our age is the proper administration of wealth so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship. The conditions of human life have not only been changed, but revolutionized, within the past few hundred years as a consequence of unprecedented companies' development. (Carnegie 1889, p. 44)

He also expressed concern over the social inequality created by companies' increasing expansion and growing power (Holmes 1977, p. 433). These concerns generated two broad principles which could be considered as the antecedents of the contemporary notion of social responsibility – the philanthropy and stewardship principles (Frederick et al. 1992, p. 33). In his later years he donated a large amount of his wealth to charities and created the Carnegie Hero Fund, the Carnegie Endowment for International Peace and the International Court of Justice at The Hague.

Carnegie's philanthropy was severely criticised at the time by the Methodist Bishop Hugh Price Hughes who said Carnegie was 'an anti-Christian phenomenon, a social monstrosity, and a grave political peril, because the money did not belong fairly to him. Carnegie defended himself for squeezing money from his employees, who were in his opinion uneducated and unable to use it in a wise way, and he founded libraries which served for a more noble purpose.

Carnegie's philanthropic work was continued in the US by John Davison Rockefeller who created the Standard Oil Company at the end of nineteenth century. After he retired, in line with the spirit of the time, he created the Rockefeller Institute for Medical Research in New York City. He also created the Rockefeller Foundation in 1913 and donated almost \$250 million to the institution, which concentrated mostly on health, creating a state of the art medical training facility, plus promoting the arts (Fosdick, 1989). In 1928, JD Rockefeller, also leased a plot of land from Columbia University and initiated the construction of what was at that time, the biggest building project ever. The construction of the 14 buildings began on 17 May 1930 and was completed nine years later, on 1 November 1939. These become what are now known as the Rockefeller Center. Rockefeller was also not immune to criticism. He was criticized at that time for allocating \$250 000 for a migratory birds' sanctuary. Miners of a Colorado mine claimed the money was part of their wages.

In conclusion, one can say that these magnates recognized their responsibilities in relation to society and generously supported great community causes. This philanthropic spirit has continued up to the present day the owners of major global corporations such as Bill Gates, Warren Buffet and George Soros are also big donors to a range of community causes. Some criticised them by saying that the philanthropic activities of these magnates just covered the quilt filling for their fortune compared with their fellow countrymen. Nowadays there are voices which criticise the philanthropic organisations for their lack of transparency and accountability in the decision making process (Karoff 2004).

But there are also many organisations, which in one way or other, voluntarily adopt philanthropy and ethical (moral) behaviour (which are recognised as CSR elements) as a definition of their reputation and in return they gained the licence to operate in sustainable ways. Some companies are genuine philanthropists contributing to their communities and encouraging their staff to perform community work which will create goodwill and brand recognition. An example of this is the Body Shop which identifies their product as environmentally friendly and claims they are developed using no animal experiments. The Body Shop owner the late Anita Roddick, became a very well-known human rights activist, environmental campaigner and anti-domestic violence activist.

As the CSR concepts mature, more and more corporations move from philanthropy to volunteering as a new trend in understanding community needs. For example, Intel donates laptops to Kenyan students who learn how to integrate the new technology into their learning process, and in return Intel gets valuable information about their product performance in the market and the level of needs they fulfill. Corporate voluntarism is another form of philanthropy which opens new business fields for corporations, especially in developing countries. A deeper view of the philanthropic phenomenon was developed by Mauss⁶ (1967), Bataille⁷ (1988) and Baudrillard⁸ (1998) and the development of the topic exceeds the purpose of this research.

⁶ Marcel Mauss (1872–1950) was a French sociologist. He argued that gifts are never ‘free’.

⁷ Georges Bataille (1897–1962) was a French philosopher. He arguably created the theory of consumption.

⁸ Jean Baudrillard (1929–2007) was a French sociologist, philosopher, cultural theorist and political commentator. He was a social theorist. His views included consumerism, gender relations and a social understanding of history.

2.4. Philanthropic aspects of CSR in Europe

Philanthropy has been present in society since antiquity. The origin of the word came from the Greek language, *philanthropia*, *philanthropos*, meaning ‘humanity, benevolence’. A charity or philanthropic activity was always associated with the most fortunate or rich members of the society, who for personal motives such as reputation, social status or just purely altruistic reasons, gave away part of their wealth to fulfill community or personal needs. In Ancient Rome, for example, the ruling class gave the poor ‘*pane e circus*’⁹ as a way of keeping them happy and not questioning the way they were governed. The Middle Ages in Europe was marked by numerous religious events, where the church organized feasts for the poor, or the lord of the land organized large feasts for the villagers at the end of the crop picking season, as a thank you to God and the villagers. Hitherto, philanthropy is largely associated with European royalty as the King was the richest man in the country and could found schools, universities, hospitals and theatres or establish scholarships for talented young people.

Throughout history, the European philanthropic phenomenon was embodied in the work of many philosophers and political and social analysts. Friedrich Nietzsche’s¹⁰ (1869/1998) work on ethics was important as he raised his voice against the old morality of society related to religion, wealth, power and justice. He promoted ‘excellence’ in human beings, which he named ‘good’ or ‘higher men’, and said this excellence was the basis for the altruistic behaviour of mankind. He followed the path of his predecessor Immanuel Kant’s¹¹ theory of moral obligation, called the ‘Categorical Imperative’, based on the concept of ‘duty’ which applied exclusively to humans and not to economic entities, which have no moral or ethics (Broad 1978). Generally, the pre-Marxists did not agree with philanthropy and said the people should be discouraged from accepting philanthropy otherwise they would become dependent on it and would lose the capacity to fight for themselves. A different view of philanthropy was developed by Marx¹² who believed that the working class’s Promethean spirit would rise, and would not rely on ‘love of mankind’ philanthropy. Such philanthropy would keep intact the social status quo, but the working class, through class struggle, would get social equality and freedom

⁹ Bread and circuses were provided free by the ruling class to the poor.

¹⁰ Friedrich Wilhelm (1844–1900) was a nineteenth-century German philosopher and classical philologist.

¹¹ Immanuel Kant (1724–1804) was a professor of philosophy at Königsberg in Prussia, researching, lecturing and writing on philosophy during and at the end of the eighteenth Century.

¹² Karl Heinrich Marx (1818–1883) was a German philosopher, sociologist, historian, political economist and revolutionary socialist, who developed the socio-political theory of Marxism.

(Draper 2007). Marx strongly rejected the classical economic view of Adam Smith and Robert Owen and offered a new system with equal new values for everybody. The Christian teaching that those who were rich and powerful in their life, even they were involved in philanthropy, would certainly not enter Heaven; while those who were poor in this life, would be rewarded in Heaven, was just an 'opium for the poor'.

Ultimately the Marxist social equality theories, which materialised in the development of the socialist system in a number of countries, collapsed, but the spirit of philanthropy survived in newly formed democracies.

2.5. Philanthropy in Russia

Until a given point in time, the philanthropy phenomenon followed the same pattern in Russia in the same way as Eastern or Western European countries. Russian 'illuminism' in some ways differed from its Western European counterpart which promoted development of arts, science, philosophy and human creativity generally. Russian 'illuminism' took place later than in Western countries and was oriented toward promoting and advancing the modernisation of all aspects of Russian life, which at that time was well behind all European countries. It seriously criticised the tsarist government's old, rigid and bureaucratic institutions such as the police (Vieux 2010, p. 98). This trend ultimately led to friction between the state and its representative the tsar, and the increasingly independent nobility, intellectuals and a blossoming bourgeois middle class (Skocpol 1979). The conflict mostly arose over the role that society should be allotted in the government's quest for public cooperation to resolve the social problems and modernise society. In the pre-revolutionary period (prior to 1917), Russian society was deeply consumed by widespread poverty, starvation and disease, and desperately needed major social reforms. At this point, charity and philanthropy looked insignificant, and also can be seen as a trivial response to society's enormous needs. They were unable to make a difference in a society deeply marked by the economic consequences of WWI, and changes in the political system, as the tsar Nicolay II abdicated and the soviet state was instated (Vieux 2010, p. 90). The absence of large organisations, the lack of local government capability and the absence of a strong middle class, who were killed by Bolsheviks, deprived philanthropic activities of the human and economic support of Western societies. The Russian Orthodox Church practiced philanthropy but their charitable activity was negligible and was mostly a 'culture of giving' to beggars. Therefore the Russian Orthodox Church's philanthropy lost its consistency and consequently lost its philanthropic capacity. Another charity

organisation, the Society for the Promotion of Enlightenment among the Jews of Russia (OPE), was a century old philanthropic organisation created by well-off Jews in St. Petersburg. The organisation's purpose was to develop opportunities for young Jews in Russia by increasing their right of entry into education and promoting the adoption of the 'modern values' of the ruling class. The society ended up by being squashed by Bolsheviks (Horowitz 2009).

European Russian cities, at the commencement of the twentieth century, were experiencing elevated rates of growth and social diversification, which created a similar social structure to the Western countries. For example, in Moscow the city business directory of the time listed approximately six hundred independent associations and private groups devoted to civic improvements. This activism was similar to that of the middle-class in Western Europe or North America. The educated people who participated in these associations took great pride in their professional qualifications, and they began to demand that responsibility for the common welfare be shared between the government and its citizens. All of these activists ended up in exile or in a gulag¹³, and the Soviet State eliminated not only the political opponents but also killed the philanthropic spirit altogether when they installed the so-called social welfare state.

When the Soviet state collapsed, along with its entire social programs, the long-forgotten pre-revolutionary concept of charity and philanthropy slowly revived. Now, new charitable organisations emerge from the ruins of the soviet era. The era when Russian companies could blatantly ignore demands for better governance and social responsibility is fast receding. Romania's socialist development had many common characteristics with Russian communism, as it was imported from there and forcefully implemented. In these circumstances the philanthropic phenomenon had the same destiny as in Russia.

2.6. Philanthropy in Romania

Like the rest of Europe, philanthropy is no stranger to Romanian society, but little has been written about this aspect of its history. As the society developed and a rich and educated class emerged, the philanthropic phenomenon could be easily recognised. Moreover, the philanthropic phenomenon significantly increased just before and during WWI, when numerous wealthy people supported the country's war effort by giving away a part of their fortune. Many young men and women

¹³ The Gulag was the government agency that administered the Soviet penal labour camp systems. Most of the convicts were political prisoners convicted by simplified procedures. Most of them never returned to their families.

volunteered in hospitals on the front line to care for wounded soldiers as an expression of their responsibility for their community and the country (Ioanid 1984). Queen Maria¹⁴, who was a British Princess by birth and Romanian Queen by marriage, built a hospital to accommodate and care for these soldiers. Her memoir is titled *My Experiences in the War Hospitals of Rumania: True Stories of the Great War 1917*.

Between the two world wars, independent social institutions flourished, such as: professional associations (Architects Society of the Romanian Kingdom and the General Association of Romanian Engineers, etc.); artistic enterprises (Constantin Tanase Theatre, etc.); and charitable groups (For God and Romanian People), all contributing to the modernisation of the country. For this period of time, philanthropy was a fashionable activity for wealthy people to engage in. In the meantime, Romanian Orthodox Churches, in the spirit of good Christian behaviour discussed above, developed a number of social, medical and day-care Christian centers for people in need. These are examples of Church-based philanthropy which led the Church to share their responsibilities with the local communities (Dan 2007). The philanthropic phenomenon blossomed during WWII but suddenly reduced to nearly zero after the socialist party took power and installed the so-called 'socialist welfare state'. Romania's socialist development had many common characteristics with Russian communism, as it was imported from there and forcefully implemented. In these circumstances the philanthropic phenomenon had the same destiny as in Russia. The socialist welfare state was supposed to take care of everybody; therefore there was no need for any philanthropic activity. Cerami (2006) stated, that at the present time in Romania, we are witnessing a recombination of the welfare state characteristics of the socialist era and the new characteristics of the Eastern European modern state, where elements of all three periods have been amalgamated together: the pre-socialist concept of philanthropy; communist social equality based on the socialist welfare state; and the post-socialist contemporary meaning of philanthropy. Studies conducted by Allavida¹⁵ (2003), and the Association for Community Relations (ARC) at the beginning of the last decade, show that a considerable number of Romanian communal activities do not incorporate any philanthropic policies in their business plans, despite the fact that most of them had contributed with cash or goods throughout the previous years (Allavida 2003). This research concluded that the philanthropic deeds of the

¹⁴ Marie Alexandra Victoria, previously Princess Marie of Edinburgh (29 October 1875–18 July 1938) and wife of Ferdinand I King of Romania from 1914 to 1927.

¹⁵ Member organizations of Make Poverty History (UK), an anti-poverty campaign, a coalition of charities, religious groups, trade unions and campaigning groups.

Romanian business community did not reach the level of awareness needed, maybe because of the size of the business and/or level of return, or a lack of understanding of philanthropy due to their historical inheritance and culture, and therefore is just locally focused and irregular in scope. Romanian companies' most widespread motivation for charity is humanitarian (74 per cent), as found by ARC-Allavida (2003, pp. 32, 35). This explains why philanthropy in areas like environmental protection, employee wellbeing and social responsibility is lacking.

Today Romanian organisations, small or large, like to promote themselves as 'socially responsible citizens' and practice philanthropy as the only form of social involvement (Cerami, 2006). There are large Romanian foundations and non-government organisations (NGOs) such as Mihut Romanian Charitable Mission and Pro Vobis volunteer Center, which in cooperation with international charity organisations, such as The Urgenta Foundation, Adventist Development and Relief Agency (ADRA) and Eastern Europe Aid Association, are active in Romania according to the International Personal Finance Report (2010). This report clearly shows that the philanthropic activities in Romania follow the trend of the rest of Eastern European countries and are integrated into the general European trend.

2.7. CSR in the Western World

The commencement of the last century marked a movement against the large corporations who turned out to be too powerful, as they were organised in the form of trusts or cartels, practicing monopolistic, disruptive and anticompetitive behaviour (Rimmerman 1997). The beginning of the twentieth century also marked the division of the world into two different systems: the capitalism system in the West; and in the East, Russia was consolidating their new social, political and economic system, communism based on Marx's theories. The Marxist ideology of the new social, political and economic system was expanding rapidly covering most of Europe. This new development pushed the entire capitalist world to rethink their attitudes toward production, industrial relations and social responsibility. The 1930s, the period of the Great Depression, saw in the US, the development of the New York Intellectual movement, an anti-communism lobbyist movement, as a response to 'Red Infiltration'. The synergy of the intellectual movement and the economic conditions led the US government to adopt the Wagner Act and Social Security Act in 1935, and the Fair Labor Standards Act in 1938, to improve working conditions, quality of life and social security, which increased companies social responsibility.

However, in the US, strong government interference in the economy was noted by the Sherman Antitrust Act¹⁶, which had the intention of aligning the behavior of the large corporations with the law, and protecting all stakeholders, and society at large. Here can be mentioned the corporations' liability for injured workers and the compensation which had to be paid to their families in the case of death (*MacPherson v Buick Motor Company* and *Escola v Coca-Cola Bottling Company of Fresno*). In brief, the legislation put in place substantially increased the corporation's liabilities, a trend which continues up to the present day. CSR researches are able to find elements of social responsibility dating back to Chester Barnard's (1938) writing, *Functions of the Executive*¹⁷, which constituted a new description of the social 'obligations' of executives and companies regarding the decision making process, company policies and their alignment with the values and objectives of society.

The rise of corporations ensured the economic boom of the 1950s and simultaneously the growth of the concept of Corporate Social Responsibility, or Social Responsibility (SR) as it was named at that time, which actually was a concoction of all previous knowledge. Howard Bowen has been credited with first using the expression 'corporate social responsibility' in his landmark book, *Toward Social Responsibilities of the Businessman*¹⁸ (1953). In his analysis of social responsibility, Bowen sought to answer the question 'what responsibilities to society can business people be reasonably expected to assume?' He also offered the first definition of the concept of corporate social responsibility by stating:

it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. (Bowen, 1953 p. 48)

In the same time there were other scholars who published research related to CSR, most importantly Morrell Heald's *Management's Responsibility to Society: The*

¹⁶ The Sherman Antitrust Act (Sherman Act, 2 July, 1890,) requires the US Federal government to investigate and pursue trusts, companies and organizations suspected of violating the Act. It was the first Federal statute to limit cartels and monopolies and today still forms the basis for most antitrust litigation by the United States federal government.

¹⁷ Chester Irving Barnard (1886–1961) was an American business executive, public administrator, and the author of a pioneering work in management theory and organizational studies. His landmark 1938 book, *Functions of the Executive*, sets out a theory of organizations and of the functions of executives in organizations.

¹⁸ Howard Rothmann Bowen (27 October 1908–22 December 1989) was an American economist and college president, serving as the president of Grinnell College from 1955 to 1964, and of the University of Iowa from 1964 to 1969. Among his writings are: *Toward Social Economy* (1948) and *Social Responsibilities of the Businessman* (1953).

*Growth of an Idea*¹⁹ (1957). In this period, American society went through significant changes as the big corporations took the place of small businesses and mass production started to be widely spread. Mass production brought in consumerism and with it two negative effects: encouragement to overspend, and a negative impact on environment (Norton, 2010).

In the UK, and especially in the US, the 1960s was strongly marked by civil liberties campaigns such as the 1963 march of 250,000 people in Washington demanding jobs and the abolition of discrimination. Anti-consumerism and environmental social activism directed against nuclear power had a major impact on society's expectations of businesses and resulted in the Civil Rights Act of 1960. This activism had a major impact on society's expectation of businesses, calling corporations in western countries to put an end to creating problems in the community and instead to participate in solving those problems. New concepts were identified or created that were considered business related, such as those related to product safety, worker safety, equal employment opportunity, and some of the environmental issues. It was also noticed that some businesses began to willingly participate in solving these social problems. Moreover, during this period, society began to be aware of the corporations' power and expressed growing expectations from them. Society as whole demanded that these corporations must go further than their economic and legal responsibilities and accept more socially related responsibilities.

In the increasing body of CSR literature, the 1960s was not greatly marked by new concept creation. One of the most prominent CSR scholars of this period was Archie B Carroll who stated that this period 'marked a significant growth in attempts to formalise, or more accurately, state what CSR means' (Carroll 1999, p. 270). Carroll also nominated and recognised the contribution and writings of other peers in CSR research of that time such as: Keith Davis, Joseph W McGuire, William C Frederick and Clarence C Walton. For example, he noticed Davis' statement expressing that: 'some socially responsible business decisions can be justified by... having a good chance of bringing long-run economic gain to the firm...' (Davis cited in Carroll 1999, p. 271). Davis could be considered as having led the way in the debates about CSR contributions to organisations' outcomes. This idea gives support for businesses to self-regulate and build these regulations into their business philosophies. Carroll also identifies Davis' statement that said: 'The substance of social responsibility arises from concern for the ethical consequence of one's acts as they might affect the interests of others' (Davis cited

¹⁹ Morrell Heald, Associate Professor of History at Cornell University.

in Carroll 1999, p. 272) which recognised the CSR ethical values of business activities. Indeed, socially responsible organisations positively influence customers' perception of their organisations and therefore the organisations are more likely to acquire customers' loyalty. For example, the cosmetics giant Avon, last year donated \$200 million to the Cancer Society which had a positive effect on the perception of the company and the bottom line. In brief, a CSR activity such as philanthropy adds value to customers and to their company products.

Another scholar of the period mentioned by Carroll is William C Frederick who concluded:

Social responsibility in the final analysis implies a public posture toward society's economic and human resources, and, a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms. (Frederick cited in Carroll 1999, p. 271)

The president of The Catholic University of America, Clarence C Walton²⁰ stated: 'the essential ingredient of the corporation's social responsibilities include a degree of voluntarism, as opposed to coercion' (Walton cited in Carroll 1999, p. 271). In liberal capitalism the government's business is to manage the entire economy, not to design and implement policies in various organisations. The organisations' executives have to decide how they run the businesses, which is the voluntary part of CSR. If businesses are badly managed and the phenomenon become pathological and widely spread, with considerable consequences for individuals and society, then the government has to legally impose the required business attitude which is the corrective aspect of CSR.

To conclude, the 1960s was the decade in which the understanding of CSR was delicately refined creating opportunity for the further development of new concepts. The most prominent representative of this period in the field of CSR was Archie B. Carroll. Without diminishing Carroll's CSR contribution, Visser (2005) questions the relevance and accuracy of the four levels of his pyramid and suggests that in the African context they may have a different analytical value. He also claims that Carroll's CSR Pyramid 'may not be the best model for understanding CSR' (Visser 2005, p. 48).

The 1970s marks the struggle between classical economic liberalism and the new market based economic liberalism or neo-liberalism. Classical economic liberalism

²⁰ Clarence C Walton (22 June 1915–13 April 2004) was the tenth president of the Catholic University of America and the first layman to hold the position. He was also the first to hold the title 'president' and not 'rector'.

expounded individualism, with a clear separation of the ethical and social responsibilities of companies from their economic affairs. It was profit maximization oriented, promoting market competition as the only factor to regulate their economic activities and to promote growth. Meanwhile, neo-liberal capitalism embodied in its philosophy the interests of everybody for ethical reasons, and responsibility was seen as an instrument for sustainability, at least in theory.

The CSR literature of the 1970s included Milton Friedman's²¹ (1970) view of corporate responsibility which was stated in his well-known paper 'The Social Responsibility of Business is to Increase Its Profits'. Friedman was a strong representative of classical economic liberalism. His paper generated discussions in academic circles and was 'a major contribution to the development of the corporate social responsibility theory' (Lucas, Wollin and Lafferty 2001, p. 150). Friedman's views are mostly based on classical economic concepts of a free market as was written by Adam Smith, as he declares himself. Friedman (1970, p. 2) rejects the idea of any enterprises' social responsibility stating:

I share Adam Smith's skepticism about the benefits that can be expected from "those who affected to trade for the public good" – this argument must be rejected on grounds of principle.

In addition Friedman clarified this position even further by saying:

few trends could so thoroughly undermine the very foundation of our free society as the acceptance, by corporate officials, of a social responsibility other than to make as much money for their stakeholders as possible (Friedman 1970, p.3).

Friedman looks at businesses from a capitalist's perspective, and the mere reason for the business, in his view, is to maximise profits. We can argue that is not the rationale of all participants. The organisations' stakeholders, for instance, clients, staff, suppliers, and the society as a whole, will have a different understanding of the business's social responsibility which corresponds with their own requirements and wishes, and each group's views are applicable and right. Many of Friedman's contemporary scholars do not agree with his views. McAleer (2003, p. 450) stated, for example, that Friedman's opinions were wobbly and his views blurred. Another scholar, Oketch, says of Friedman's views 'Today, many would not be comfortable with such a profit-oriented statement' (Oketch 2004, p. 5). Their opinions are *quid pro quo* based, which means something in exchange for something, and actually

²¹ Milton Friedman (1912–2006) was an American economist, statistician, a professor at the University of Chicago and the recipient of the Nobel Prize for Economics. Among scholars, he is best known for his theoretical and empirical research. He was an economic advisor to US President Ronald Regan.

implies an ethical social contract in which the organisation gains operational legitimacy in exchange for fulfilling some communal needs. They represent neo-liberal capitalism.

At the same time, Carroll mentioned Sethi's concept of 'Corporate Social Performance' measured by meeting the following societal responsibilities: (a) social obligation, (b) social responsibility, and (c) social responsiveness (Sethi 1975; Carol 1979).

In 1970s CSR issues also left academic circles and reached the US government indicating the importance of CSR issues in the economy. For example, in 1971, the US governments' guiding principle of the US Committee for Economic Development (CED), indicated additional elements of CSR and their roles in business. The Committee's understanding of CSR is: 'related to products, jobs and economic growth; related to societal expectations; and related to activities aimed at improving the social environment of the firm' (US Committee for Economic Development, pp. 38-45). Analysing the Committee's representation of CSR, Carroll (1999, p. 273) believed that the definition given is 'a landmark contribution to the concept of CSR'. Analysing the national policy statement of CED, Carroll also identifies that:

Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. In as much as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public (CED cited in Carroll 1999, p. 274).

To conclude, one can say that the 1970s were marked by imposing, much harsher legal liabilities on corporations, directors and executives. But at the same time there were many cases of increased product liability and injuries associated with them. In this context, the large corporations shifted their operations into countries with more relaxed legislation, which contributed to major accidents and ecological disasters such as the Bhopal case in India. Based on a technicality, the US Corporation, Union Carbide was never prosecuted as the subsidiary was Indian owned and operated. The Indian subsidiary's executives faced charges.

One can say that, this period of neo-liberal capitalism expansion was marked by globalization. The idea of economic freedom, pushed hard by western governments at the corporations' request in order to obtain free trade agreements, actually promoted lack of restrictions from responsibility and commitment to society as corporations shifted their activities to countries with much more relaxed legal systems. This neo-liberal capitalism, initiated in the UK by Margaret Thatcher and in the US by Ronald Regan in late 80s, promoted a universal self-determination,

wealth and development through ‘deregulation, liberalization and privatization’ known as the ‘Washington Consensus’²².

In the 1980s, the development of CSR was described in specialised literature as having ‘a more responsible approach to corporate strategy’ (Freeman 1984, pp. 31–60). One of the most important scholars in this period was R Edward Freeman²³ who elaborated the Stakeholder Theory (Windsor 2001; Post 2003). Edward Freeman (1989, p. 97–106) asserted that achieving stakeholders’ requirements is the principal purpose of CSR and nominated most of an organisation’s stakeholders (including shareholders). Many researchers in the field of CSR consider Freeman’s (1984) paper as having only an acknowledgement and dissemination character for stakeholder theory (McWilliams & Siegel 2001, p. 118). Other researchers such as Key (1999, p. 317) pinpointed some limitations of the stakeholders theory and claimed that Freeman’s theory, as described, applied only to the external environment and neglected some important components, such as: CSR1 (responsibility), CSR2 (responsiveness) and CSR3 (rectitude), defining all of them.

In his analysis of the CSR literature of the period, Carroll came to the conclusion that: ‘the focus on developing new or refined definitions of CSR gave way to research on CSR’ (Carroll 1999, p. 284). In this decade, at the practitioner level, environmental concerns were enacted in the US by The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA 1), which recognized the importance of environmental protection after the Exxon Valdez oil spill – which polluted the waters of Prince William Sound in Alaska. The above mentioned accident, the legislation adopted in US, and the resulting ecological activism determined many international organisations to tighten their legal requirements. One example is the creation by the United Nations of the World Commission on Environment and Development as a body to overview environment and development issues.

As a result, in the 1990s, the World Commission on Environment and Development published The Brundtland Report²⁴, which brought into the main stream of the debate the concept of environmental and sustainable development. The concept requires all of us to perceive the planet as a structure which brings together the space and time dimension. The Report defined the concept as:

²² Washington Consensus refers to neo-liberal policies in 1980-2008 and was promoted by economists, politicians, journalists and global institutions like the International Monetary Fund and World Bank.

²³ R Edward Freeman (born 18 December 1951) is an American philosopher and professor of business administration at the Darden School of the University of Virginia. Freeman is particularly known for his work on stakeholder theory (1984).

²⁴ Gro Harlem Brundtland developed the broad political concept of sustainable development.

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, Chapter II, p. 1).

The Report established the main elements of sustainable development which recognised the following two principles:

1. Recognizing the needs of the world's poor communities. This should receive an overriding priority.
2. Recognizing the technological limitations and the social organisation's limitations on the environment's ability to meet present and future needs.

The sustainable development concept is meant to promote peace among people, our world and the practices employed to fulfill our needs. Many academics, researchers and politicians consider the report as a point of reference in our understanding of the environment, the economy and social well-being.

The CSR literature of the 1990s had little impact on the definition of CSR as assessed by Carroll (1999). On the other hand, the CSR body of knowledge reached boiling point and generated a number of other connected concepts. For example, contributions were made to the following concepts: Corporate Social Performance (CSP), stakeholder theory, business ethics theory, and corporate citizenship theory, which are the most important concepts that concerned the researchers in that decade (Carroll 1999, p. 288).

The concept of corporate governance came onto central stage in 1992, after the Cadbury Report was published in the UK. The purpose of Cadbury's Report was to solve economic problems in the UK and later on was adopted and widely commented on in the US. The report analysed and defined the CG principles and the relations between different levels of organisational structure such as: boards of directors, management, shareholders and other stakeholders. The Organisation for Economic Cooperation and Development (OECD) built on the Cadbury Report and stated that CG: 'provides the structure through which the objectives of the company are set, the means of attaining those objectives and monitoring performance are determined' (OECD 1999, p. 11). The Cadbury Report clearly defines some of the organisations' responsibility towards society.

In this decade one of the well-recognized researchers in the area of CSR was Wood²⁵. At the beginning of the decade, she redefined Seth's concept of CSP and repositioned it into the broader body of CSR knowledge. She also looked at CSP

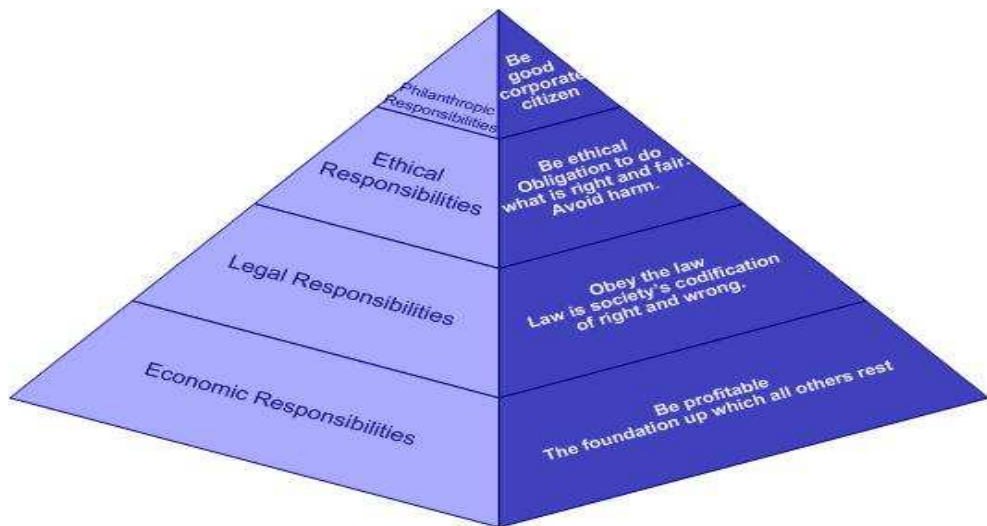
²⁵ Donna J Wood, professor at the Graduate School of Business, University of Pittsburg.

from the point of view of ‘performance’ (Carroll 1999, p. 289). In her writings, from another perspective, Wood identified the motivational elements of businesses in using and implementing CSR principles, such as environmental management, issues management and stakeholder management. It seems that Maignan and Ralston also agreed with her when she stated that: ‘Once implemented throughout the organisation, these processes help the firm to keep abreast of, and to address successfully, stakeholder demands’ (Wood cited in Maignan & Ralston 2002, p. 702).

Ullmann (1985, p. 548) outlined some of Wood’s shortcomings by stating:

The main reasons for these inconsistencies are: (a) a lack in theory, (b) inappropriate definition of key terms, and (c) deficiencies in the empirical data bases currently available.

Summarizing the previous discussion, one could say that, the end of the 1990s brought into the body of the CSR literature, the concept of sustainable development, CG principles, Wood’s theory of CSP and Carroll’s Pyramid of Responsibilities (Figure 1).



Carroll's CSR Pyramid

Figure 1: The pyramid of corporate social responsibility

Source: Carroll (1991) – The pyramid of corporate social responsibility, p42

Ten years later, in 2010, Wayne Visser, in his book *The Evolution and Revolution of Corporate Social Responsibility*, shows some limitations of Carroll’s pyramid

and offers an alternative to the profile of a business with spiraling, interconnected, and non-hierarchical levels of the CSR elements (see Figure 2).



Figure 2: CSR: a new interpretation

Source: Visser, W, 2010, The Evolution and Revolution of Corporate Social Responsibility.p.231

He proposed a ‘clarification and reorientation of the purpose of business’.

It is worthwhile mentioning here O’Rourke, who in the 1990s, brought in the stakeholder theory with the classification of the ‘primary’ stakeholders and the shareholders, which challenged ‘the boundary zone of CSR which are currently being negotiated with companies’ (O’Rourke 2003, p. 228). He also made the following statement referring to the shareholders and the organisation’s purpose to make profit:

By claiming that environmental and social issues have a direct effect on shareholder value, shareholder activists are moving the rhetoric of their activism out of the realm of “ethics” or good versus bad behaviour, and into that of traditional issues of profitability, risk and shareholder value. (O’Rourke 2003, p. 230).

Without doubt, he referred to the activist group called BHP Shareholders for Social Responsibility²⁶. At the end of the decade, Carroll brings to a close the trend in CSR by stating:

the CSR concept will remain an essential part of the business language and practice, because it is a vital underpinning to many of the other theories, and is continually consistent with what the public expects of the business community today. (Carroll 1999, p.292)

²⁶ Formed in 1994 as a result of shareholder concerns about environmental damage done by the company in Papua New Guinea.

The specific CSR language, expressions and concepts ultimately changed which leads us to the conclusion that CSR concepts will continue to develop in connection with organisational theory development and community development as a whole. The consequences of the internationalization of CSR concepts will have a major impact on CSR definitions and will reveal the influence of, not only the local economic environment, but also of the significant influence of the international economic environment.

2.8. CSR in the new Millennium

At the beginning of the new millennium, the debate over CSR in academia continued. For instance, Solomon's (1978, pp. 214-261) judgment that transnational corporations (TNCs) 'should take responsibility for the improvement of world-wide social and environmental conditions', was adopted also by scholars such as Scherer and Smid (Scherer and Smid cited in Windsor 2001, p. 245). CSR researchers struggled to classify the motivational factors for the adoption of CSR, and identified altruistic and egoistic motivations (Husted & Salazar, 2006, p. 76), or a more recently, the consideration of the corporation identified as a 'self' (Driver 2006, pp. 341-343).

At the beginning of the 21st century CSR discourses entered into a new trend, shifting away from the supremacy of discussion of US issues and becoming open to international participants. Many European researchers and academics identified CSR concepts in their countries' economic conditions, and measured them up to their national perceptions of CSR and the responsibility of businesses in society, as is the case of emerging economies in East European countries. In contrast with the strongly pro-CSR Anglo-Saxon view, this new research trend focused on comparing CSR concepts, processes and organisational responsibility versus stakeholders in The Netherlands, France, UK and particularly in the US. Maignan²⁷ and Ralston²⁸, (2002) found that organisations do not show the same enthusiasm for CSR and organisations adapted CSR concepts to fulfill organisational needs. In these circumstances, the researchers' contribution is less academic and is mostly pragmatic, oriented towards adapting the body of CSR knowledge to the European economic, social and cultural conditions.

²⁷ Isabelle Maignan is an Associate Professor of Marketing at the University of Nijmegen, The Netherlands. Her research interests focus on the concept and implementation of corporate social responsibility.

²⁸ David A Ralston is a professor and the Michael F Price Chair of International Business at the University of Oklahoma.

In this period, one important contribution of European researchers to the body of CSR knowledge is that of Garriga²⁹ and Melle³⁰ (2006), who actually mapped the CSR territory, clustering the theories and organizing them into four major groups: instrumental theories, political theories, integrative theories and ethical theories. The instrumental theories revitalized Friedman's view and stated that CSR is an instrument used to 'maximise stakeholders value', to create a competitive advantage (Porter and Kramer 2002) in corporate marketing or corporation branding (Murray and Montamary 1986). The political theories stated that corporations not only had economic power but also political power which they exercised in order to gain economic advantages. The theory of corporate constitutionalism (Donaldson & Dunfee 2000) and the theory of corporate citizenship viewed corporations as good citizens and who acted accordingly (Wood & Lodgons 2002). These theories gave CSR legitimacy and saw the corporation relationship with the community as a partnership.

The integrative theories basically view community needs and demands as legitimate and look to integrate them into a corporation's management philosophy, known as the issue management theory (Akerman 1973; Vogel 1986) or by extending this view to all of an organisation's stakeholders, the stakeholder management theory (Freeman 1978; Ogden & Watson 1999). Some of these theories analysed how well community needs and demands were satisfied and generated the theories known as corporate social performance (Carrol 1979; Wood 1990) which link this performance with an organisation's ability to survive.

The ethical theory promotes the fairness principle in the informal contract that exists between a corporation and the community (Freeman 1994) which also has to integrate universal human rights (UN Global Compact 1999). The ethical theories incorporate obviously the sustainable theory (Brundtland 1987) and the businesses' 'right thing to do'. The normative theories target the corporation's fiduciary responsibility to integrate the needs and demands of all stakeholders, not only shareholders, for mutual benefit and justice (Freeman 1984; 1994). The communitarian approach, or the common good view, states that all businesses, as with any other social group, have to contribute to the common good of the community.

A practitioner point of view of CSR shows it as 'good', efficient, or the best instrument in determining social needs and delivering social solutions; 'bad', if corporations use CSR as a means of power exercised in their own interests; and 'ugly', if CSR is profit driven and has no clear separation between organisational CSR activities and

²⁹ Researcher at University of Navarra, Spain.

³⁰ Professor and Director of the Department of Business, University of Navarra, Spain.

organisations' operations and performance (Devinny 2009). He concludes that CSR does not hurt performance, but there is no reason to believe that CSR leads to supra-normal benefits. A synthesis of Devinny's (2009) view in Table 1 shows:

Table 1: *Synthesis of Devinny's view*

CSR as a social policy instrument (good):	CSR as an economic purpose and not as a socially optimal role (bad):
<p>Organisations with adequate practices, which include CSR, will have many happy customers, employees, owners, and will record prosperity.</p> <p>Organisations are much more experienced than individuals and governments to tailor products and services to serve particular social needs.</p> <p>Organisations acts in a much more rational way than governments do, because they have technologies, know the social trends, and are in a better position to trade off their abilities in fulfilling social needs.</p>	<p>CSR is not, and should not be, the reason for an organisation's activity. Organisations should maximise their business outcomes in the interests of owners and shareholders and later use CSR as they wish.</p> <p>Organisations may shape a society's needs according to their own needs by regulatory capture, direct/indirect political influence and use CSR as a barrier to entry (see the carbon tax debate).</p> <p>Organisations have a conservative approach to social needs. These needs will be fulfilled only if there is a clear benefit to them.</p>
	<p>Organisations are not government agencies designed to fulfill social needs. The government should deliver those services and should be accountable for it as they have been elected on social platforms.</p> <p>Organisations have no expertise in assessing social needs and the allocation of benefits, and therefore they may not adopt the most appropriate approach.</p>

Source: Devinney (2009)

As most of the CSR issues are known, the focus now is how to identify indicators which quantify and evaluate the social responsibility of organisations (Clarkson 1995; Hopkins 2005). Researchers argue that examination of the codes of conduct of companies by government bodies, and activist groups (as representatives of the civil society), along with the firms themselves, can be considered generally unsatisfactory because the process could suffer from lack of objectivity and scientific rigor (Dumitru 1993, p. 47).

Therefore, many international organisations such as the United Nations Development Programme, the International Labor Organisation, the World Bank, the Organisation of Economic Cooperation and Development, most of the regional development

banks, and diverse national development agencies, have prepared and adjusted systems in the area of corporate governance and social responsibility in the last decade, in an attempt to implement consistency all over the world in this area.

On the other hand, another interpretation and definition of CSR is that of the International Business Leaders Forum's Managing Director, Adrian Hodges who says that CSR should:

promote responsible business practices which benefit business and society and help achieve social, economic, and environmentally sustainable development by maximizing the positive impact business has on society and minimizing the negative. (IBL 2004, p. 54)

In light of the previous discussion, we have the World Business Council for Sustainable Development definition of CSR as:

the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. (WBCSD 2000, p. 3)

The contemporary view of corporate social responsibility principles also encompasses internal factors such as Equal Employment Opportunity (EEO) training of personnel, Occupational Health and Safety, and external factors such as: the consequences of the company's principal activity on the community; their reputation, brand and marketing; ethics; environment; and ethics in corporate governance.

In general terms the 'responsible' part of SCR has been differently named, more or less accurately, by the organisations' or corporations' researchers themselves as: corporate citizenship, corporate philanthropy, corporate societal marketing, community affairs, and community development. In the last decade, it is unanimously accepted and without doubt, that the adoption of CSR concepts by businesses will serve long term sustainable development.

2.9. Summary

This chapter pinpointed the historical development of CSR concepts from antiquity to present days showing the importance of religion in creating 'acceptable' human and business behaviour as a precursor of social responsibilities worldwide.

One of these concepts, with strong religious connections, philanthropy opens a new chapter on the history of corporate social responsibility. During the Industrial Revolution philanthropy gets new dimensions through the substantial contribution of a few tycoons, such as A. Carnegie and J.D. Rockefeller, who recognised their

responsibility in relation to society and subsequently generously supported great community causes. This philanthropic spirit has continued up to the present day as the owners of global corporations, such as Bill Gates, Warren Buffet and George Soros, are also big donors to a range of community causes.

In Europe, philanthropy has been present in society since antiquity. A charity or philanthropic activity was always associated with the most fortunate or rich members of the society, especially the King, who had the financial resources to found schools, universities, hospitals and theatres or establish scholarships for talented young people. The philanthropy phenomenon was also a subject of intense philosophical debates for Nietzsche, Kant and Marx who described different meanings and purposes for philanthropy.

Once communism emerged as an alternative political and social system, the philanthropic phenomenon suffered a significant ebb, not only in Russia, but also in the rest of the countries under their 'sphere of influence' such as Romania. After the collapse of communism, the philanthropy phenomenon underwent a rebirth and developed to a new level. Nowadays, as the CSR concepts mature, more and more corporations move from philanthropy to volunteering as a new trend in understanding community needs.

In the same period in the West, the social and political arena was marked by strong union movements against the large corporations who turned out to be too powerful, disregarding any social responsibilities. This is the time when the US government adopted the Wagner Act and Social Security Act in 1935, and the Fair Labor Standards Act in 1938, to improve working conditions, quality of life and social security, which clearly imposed more social responsibilities on corporations.

The concept of CSR grows due to the contribution of many illustrious scholars such as M. Friedman, R.E. Freeman, Carroll and Wood who created the Corporate Social Performance concept. The concept of sustainability was also defined by Gro Harlem Brundtland in the famous "Brundtland Report".

In the new millennium, CSR discourses entered into a new trend, shifting away from the supremacy of discussion of US issues and becoming open to international participants. Many European researchers and academics identified CSR concepts in their countries' economic conditions, and measured them up to their national perceptions of CSR and the responsibility of businesses in society, as is the case of emerging economies in East European countries. In contrast with the strongly pro-CSR Anglo-Saxon view, this new European research trend identified less enthusiasm for these CSR concepts. Among the most remarkable scholars of this period we can mention few such as: Gariga and Mele, Wayne Visser and Devinny.

CHAPTER 3

CSR in European context

3.1. Introduction

In the last decade, CSR concepts find a relatively new soil among the Atlantic and European researchers who were oriented towards adapting the body of CSR knowledge to the European economic, social and cultural conditions. In this period worldwide, CSR knowledge is enriched with new themes such as the fairness principle in the informal contract that exists between a corporation and the community (Freeman 1994), integrating universal human rights (UN Global Compact 1999) and the sustainability theory (Brundtland 1987) as CSR subjects. Most of these new CSR themes are strongly promoted and supported by International Organisations.

3.2. CSR and International Organisations

The United Nations, European Union, Organisation for Economic Co-operation and Development and International Labour Organisation (ILO) are the four main institutions involved in elaborating CSR structure in Europe. They have set up a number of significant criteria that can be used for appraisal of an organisations' behavior. The UN established the Global Compact on Corporate Accountability program which is the beginning of the process to introduce norms and standards for corporations, establishing social and environmental responsibilities. Unfortunately compliance is voluntary, and many NGOs criticise it as ineffective. The OECD Guideline for Multinational Enterprise or the Global Reporting Initiative are rarely used for verification or compliance against an organisation's statement. Therefore, increasing demands are placed on international institutions in elaborating other judicial recommendations which must be implemented by local governments and institutions who can put pressure on organisations to adopt CSR concepts.

Recently there has been some critique of the UN Global Compact by the UN Joint Inspection Unit³¹, a UN independent body and includes the following issues:

1. The Global Compact is a 'self-extended' UN mandate.

³¹ Report of the Joint Inspection Unit for 2010 and programme of work for 2011; <info@globalcompactcritics.net>.

2. There are no concrete measures and instruments to enforce accountability.
3. There is no clear way of involving local communities and the civil society in general.
4. There is no clear way of scrutinizing the progress in implementing the CSR initiatives promoted by the Global Compact and especially by non-business related participants.

CSR concepts, as adopted and promoted by the European Union, are the *modus operandi*³² for achieving the objectives established by the European Council at the 2000 Lisbon Conference. It is believed that the Conference strategies for CSR will generate sustainable development among member states and these say:

voluntary business initiatives, in the form of CSR's practices, can play a key role in contributing to sustainable development while enhancing Europe's innovative potential and competitiveness (Günter Verheugen³³, 2006)

More specifically, the European Union elaborated the following principles in guiding businesses in their CSR's implementation of community responsibility and divided them into the:

1. *Internal dimension* which refers to a corporation's responsibility in relationships with employees in which organisations have the following moral and legal obligations to: 'assure a healthy and safe work environment, improve the quality of the employees' life, be responsible when restructuring in crises by taking into consideration all sides' interests' (European Commission 2002, p. 4).
2. *External dimension* refers to a corporation's responsibility in relationships with all stakeholders, supporting the development of communities where they run their businesses, respecting human rights and minimizing the consequences of their actions on the environment and natural resources (European Commission 2002, p.4).

In the light of the previous discussion, all EU member states develop their own version of these concepts focusing on different objectives according to their priorities.

To conclude, in relation to the development of CSR concepts in Europe, Table 2 shows the influence of different international organisations in interpreting the meaning of CSR.

³² Latin phrase, commonly known as 'mode of operation'.

³³ Günter Verheugen (Finland prime minister): Vice-President of the European Commission responsible for Enterprise and Industry and President of the Conference on Corporate Social Responsibility, Innovation and Competitiveness.

Table 2: CSR and international organisations

Corporate Social Responsibility Documents	EU	OECD	ILO	UN
	Green Paper "Promoting a European framework for corporate social responsibility"	OECD Guidelines for Multinational Enterprises	Tripartite Declaration of Principles concerning multinational enterprises and social policy	UN Global Compact initiative
Definitions of CSR	A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment			
Principles	A company should embody the internal and external factors for the welfare of everybody.	Abolition of child labor, non-discrimination, the right of employees and the protection of health and safety of workers. In the event of bankruptcy of an entity reasonable care should be taken to protect the interest of everybody.	Freedom of association and the collective bargaining. The elimination of forced labor, especially child labor; and abolition of discrimination in any form of employment.	Support and respect human rights. Freedom of association. Abolition of forced labor and eradicate discrimination in any form of employment. Proactively involved in environmental issues Eliminate any form of corruption.
		Cooperation with government authorities is recommended to reduce the adverse effects on employees. Companies should show 'bona fide' in negotiations with representatives of employees on conditions of employment and does not influence the work condition negotiations by threatening with jobs transfer in other country.		
Implementation	The European Multi-Stakeholder Forum for CSR is a Group of Member States' representatives having regular meetings to discuss different approaches to CSR. The interim CSR Commission ensure a coherent approach across the different services. Provides funding for cross-European researches and dissipates CSR information.	The OECD Guidelines are sustained by implementation mechanisms which impose to the National Contact Points to resolve any disputes. Specific the National Contact Points for instances dealt with employment, labor, industrial relations and especially legal compliance issues in non-OECD countries.	The ILO's leadership in the area of CSR is ensured by the Infocus Initiative which seek to promote the principles of good policy and CSR practice, laid down in the MNE Declaration. ILO s establishes values of governances for member States, setting labor standards, promoting social dialogue and assisting countries to implement good policies.	The Global Compact is a network of UN agencies such as The Global Leadership Network (GLN) which is a global community of leading companies committed to pursuing corporate citizenship. AccountAbility is an international, non-profit membership organization dedicated in promoting innovations that enable individuals and institutions to respond to global challenges. AccountAbility develops tools and connections that promote accountability for sustainable development.

Sources: adapted from Matei, A and Tuca M, 2011

3.3. Romanian CSR literature

Romania's short democratic history was dramatically marked by changes of the political and economic landscape and which confronted all society with tremendous problems such as extensive unemployment and poverty generated by the restructuring of the government's own large and inefficient enterprise, and massive inflation (Korka 2004).

However, the Romanian academics of this period mostly concentrated on those severe economic problems, looking desperately for solutions to speed up the process of transition. Ultimately, the last decade marked an improvement of the economic and managerial thought, mostly influenced by western theories and concepts.

One of the most prolific academics in the field of CSR in Romania is Mihai Korka³⁴ who in his early CSR writings accepted that:

In this context, CSR is considered as an appropriate tool for enhanced competitiveness of companies with Romanian and foreign capital in the domestic market, but also as a means to improve community responsibility (Korka 2004, p. 11).

A much more theoretical and philosophical approach to CSR was adopted by Iamandi³⁵ (2007), who assessed the way businesses respond to external stimulus. Iamandi identified, as a factor of CSR adoption, the 'compliance-drive' response to EU pressure to reform the economy, and she also identified some consequences of adopting CSR principles. But she missed some important questions about Romanian organisations becoming rational-actors and norm-based participants in society (Iamandi 2007).

A more sophisticated meaning of the concept of CSR, and especially sustainability, are introduced in specialised Romanian CSR literature by Vuta et al. (2007, p. 2–11), who mostly echoed the Brundtland definition of sustainability. Recently a detailed and scientific analysis of the CSR phenomenon in Romania can be found in Stoian³⁶ and Zaharia³⁷ (2009), who agree with their predecessors and also identify as CSR drivers, multi-national corporations (MNCs), non-government organisations, and philanthropic organisations and associations. The authors claim that there is no

³⁴ Professor at the Academy of Economic Studies, Bucharest Romania.

³⁵ Dr Iamandi Irina, Academy of Economic Studies, Bucharest Romania.

³⁶ Carmen Stoian is a Lecturer in International Business at Kent Business School, University of Kent, Canterbury, UK.

³⁷ Rodica Milena Zaharia is a Professor of International Business and Marketing at the Faculty of International Business and Economics at the Academy of Economic Science.

connection between Romanian companies' core activities and their CSR platforms, which will bring no benefits to the company, and in the long term, will corrode the meaning of CSR. Similar conclusions about CSR in Romania are expressed by Matei and Tuca (2011) who show there is no debate over the theoretical meaning of the CSR concept.

Moreover, in her analysis, Young (2008) stated that Romanian managers at the beginning of the economic reforms (1989–2000) were able to manipulate and slow down the reform process, and took advantage of the situation through state and institutional capture, the same observation as Matei and Popa (2009). The phenomenon badly damaged the economy. After 2000, the implementation of significant reforms in the economy by adopting relevant legislation regarding market competition, strict contract law, transparency and corporate governance created rapid economic growth and the level of state capture dropped significantly. She concluded: 'In spite of benefiting from shady privatization deals and other advantages based on political connections, the new Romanian entrepreneurs were not threatened by sophisticated market governance laws' (Young, 2008, p.7) which is a serious threat to economic reforms including adoption and implementation of CSR. The process of transition from a command economy to a free, market driven economy is similar in all Eastern European countries and therefore many CSR papers analyse the phenomenon in conjunction with all these countries (Korka 2001; Ben-Gera 2004; Cerami 2006; Vuta et al. 2007; Matei & Tuca, 2011).

Careful analysis of existing CSR literature in Romania reveals that there is not any major contribution to the creation of new CSR concepts or theories. The specialized CSR literature in Romania has a pragmatic approach, merely explaining the concepts and identifying some factors, 'drivers' or 'vectors', which encourage organisations to adopt them. Most of the researchers on the topic of CSR state the positive correlation between CSR and an organisation's financial performance without any hard evidence. The existing CSR literature also leaves many unanswered questions (Young, 2008) and emphasizes the necessity of rigorous and scientific research. Increasing numbers of new researchers in the CSR field in Romania are looking for viable answers to these questions and will support the view that, for the dynamic Romanian social reality, there is no 'one CSR size fits all'. Finally, CSR is viewed in different ways around the world as a result of different cultural and historical circumstances.

CHAPTER 4

CSR in Romania

4.1. Introduction

In communist Romania, characterised by the state ownership of all enterprises and limited civil liberties, the jolts of the anti-communist revolution brought into the Romanian political, social and economic landscape irreversible changes. The process of implementing these changes, including implementation of CSR, was confronted by numerous inconsistent issues identified below.

4.2. Romania from Communism to Democratic Capitalism

In the communist era the main objective of companies was to keep people employed and production was oriented to satisfy government directed objectives. The government had a notorious proclivity for secrets and strictly controlled all public disclosures. Activism of any kind was illegal, except the pro-government kind. The only information available was the government's press releases. Even in these harsh conditions, there were empirical elements of CSR in the form of compliance with environment legislation, which were ignored most of the time.

As described by Korka (2005), for this period of time, Romania's economic, political and social problems can be defined by at least three aspects:

- A centrally planned economy, where the government owned all companies which accounted for producing the whole GDP.
- The companies were oversized and inefficient, and later on, become very hard to be privatize. A strongly politicized and bureaucratic structure of the Romanian society removed any individual spirit of enterprise.
- Romanians lived in total isolation prior to 1989.

After the collapse of communism in the Soviet Union and all Central and Eastern Europe countries had the chance to reclaim their self-determination, establish again their democratic institutions, implement the rule of law, and put in practice a market oriented economy. 'After cooling off from the post revolution euphoria,

Romania, self-committed to the transition process in the new era of *democratic capitalism*' (Korka 2004, p. 47).

In the first decade of post revolution, most of the oversized and inefficient Romanian enterprises collapsed. As a result, most of the people became poorer and the organisation's management team, acting in an environment over which they had little or no control at all, unscrupulously reacted in maximizing their immediate income (rent extraction) and totally neglected the organisations' interests and civil society's long term perspective.

Korka (2005) reflected the view of most analysts comparing this period with 'primitive capital accumulation'. This period of time, characterized by an inadequate legal system, lack of government institutions, and an inadequate financial system, also raised the concern of former EU Employment and Social Affairs Commissioner, Anna Diamantopoulou (2005) in respect to the development of the internal market. The internal market was characterized by private citizens' abuses, inadequate government legislation and a lack of tax initiatives, and could lead to 'unintended' and undesired trade barriers.

At the political and governmental level, the need for radical reforms in the Romanian economy became urgent. The need for differentiation between the political and the administrative parts of the executive was growing (Nunberg 1999). As Ben-Gera (2004) emphasized, those attempting reform of the legislative and public policy arenas were confronted with: Weak political direction in respect to strategic economic and social priorities.

- Lack of policy development capability and capacity at the administration and ministerial level. Preparation and implementation of legislation without clear policy.
- Weak ministerial internal coordination within different departments, mainly due to internal fragmentation of the minister, political inference and rivalry between different departments.
- An insufficient, inadequate, politicized, and duplicative legal system at different levels of government which increased inefficiency and costs of transition.
- Lack of policy coordination at the level of the central government.
- Weak monitoring procedures even at the General Secretariat of the Government level.

Moving from a controlled to a free market economic system, supported by an inadequate legal framework and lack of professional competency, was characteristic of all East European countries, not only Romania, as stated by Korka (2004), and Gradev (2005) who made similar statements about Bulgaria.

Indeed, the legal system had to be radically transformed. New democratic institutions, based on guaranteed private property, recognition of the human rights of individuals, and encouraging initiatives and entrepreneurship, had to be developed in order to address the problems of society.

Under international pressure (from the UN, EU, OECD, ILO, IMF, and World Bank) and civil society, Romania had to develop a new legal framework and was faced with the huge task of dealing with the new and extended phenomenon of organized crime and corruption which flourished after the collapse of the communist state. This phenomenon was a characteristic of the transition period in all East European countries. Romania, being a small country with a relatively homogenous ethnic population and police forces, managed criminality much better than some other East European countries. Even so, the phenomenon of organized crime and corruption in Romania was a concern to the European Union, as Romania became an aspiring member. In a very few occasions in Romania, organized crime managed to infiltrate the state structures with severe repercussions for civil society (Magherescu 2008). As a principle, Romania had been involved in the strategy of the EU institutions regarding legal cooperation in the fight against cross-border and internal criminality. During the difficult transition period Romanian officials were not fully equipped to fight the criminal activity, especially corruption, which is much harder to detect (Magherescu 2008).

In this blurred period, adequate solutions had to be found to cover the cost of transition, and a management system had to be put in place in order to control a strongly politicized society with no clear and coherent direction. Lack of experience, despite the good will of the political leaders, combined with instability in political and economic direction, which was based purely on political and personal reasons, seriously damaged the economy as identified by Isarescu (2003) and emphasized later by Sitki, (2006). Most of the politicians were involved in creating ephemeral political alliances with the purpose of accessing or controlling the political power and self-enrichment, and ignored, or were incompetent in, solving the growing social problems. The organisations' downsizing processes created a snowball effect which led to massive unemployment and devastating consequences for ordinary people (Isarescu 2003). This situation created a fertile ground for infringement of

the ethical *arm's length* principle by all participants sharing political or administrative power (Sitki 2006) and Puffer and McCarthy (2003).

At the company level, in first decade of the transition, the problems of company managers' competency were totally ignored. Too much was expected from untrained managers who had to act in the new conditions of decentralization, in a new market characterized by competition, and who faced the huge task of organisational downsizing with all its associated consequences. The government's very timid intention to improve company management and to increase an organisation's efficiency failed miserably. Most talented and capable managers left Romania for Western countries in search of a better life. The vacancies created were filled by managers who were promoted based on their political orientation, support from the trade union, or even corruption, and less on competency. Most of the new managers were irresponsible, with no scruples, solely acting to increase their own shares (Dumitru 1993). In these circumstances, some managers with common sense felt powerless in an economy with a huge inflation, no adequate legal system and an unstable market.

On the other hand, the trade unions also had, and continue to have, a negative impact on the transition process by demanding and supporting populist reforms, which were economically unsustainable, in exchange for a 'social peace agreement' offering political support, especially in election periods. The trade unions' inflexible attitude regarding restructuring and wage policy damaged the transition process, and slowed down, or stopped altogether, government initiatives aimed at speeding up the process (Korka 2004).

Instability in legislation, lack of specific institutions, especially those that regulate domestic and foreign investment, a high level of inflation and a dramatic depreciation of the local currency where factors slowing the privatization process and the flow of direct foreign investment in Romania (Loiselet E. 2002).

After the collapse of communism and the disintegration of Romania's state monopolies, a severe economic crisis took place. Bilbiie (2004) considered the 1989–1992 crisis as even more dramatic than that of 1929–1933. The difference was that the 1929–1933 crisis was a supra-production crisis, and that of 1989–2002 in Romania was a structural crisis, created by: 'macroeconomic disequilibrium and by the slow change of legal and institutional framework' (Korka 2004, pp. 12-15). Mugur Isarescu, the Governor of the National Bank of Romania (the counterpart of the Australian Reserve Bank), assessed the nation at the time saying:

Naturally these reforms present tremendous social problems for the part of the society affected. Because the industrial system was so integrated under [the] Ceausescu

[regime that the] structural reforms have had a domino effect. Closing down one factory affects workers in other factories. (Isarescu 2003)

The economic and political aspects analysed above clearly show that, in the first decade of the post-communist era, Romania was dominated by instability, high inflation, economic downturn, and lack of institutions which were unable to provide the improvements required by the civil society. Issues such as corruption, employment relationships and the environment were totally neglected. In the light of the above discussion, we can conclude that in Romania, in the first decade of the transition process from a state controlled economy to a market driven economy, there was no fertile ground for CSR concepts to be adopted.

4.3. The Origins of CSR in Romania

After the fall of the communist regime, in the second decade of transition, Romania showed marked economic improvement and consolidation of institutions under European Union supervision, as a requirement for EU acceptance. Under the conditions of increased foreign direct investments (see Tables 3 and 4), globalisation of markets, and European integration, new requirements were applied to corporations. These new business management methods must become common rather than being exceptions in Romania, and apply to local companies and not only to TNCs. In the transition economy of Romania, CSR concepts have become an extremely important contribution to the processes of transition, particularly in addressing issues such as: the existence of a fragile market economy, inadequate managerial and business skills, transparency, institutional inadequacies, environmental deterioration and the reorganisation (usually downsizing) of state-owned companies.

The urgent problem, at this point of time, was to expand CSR activities and elevate consciousness in order to broaden the adoption of these CSR concepts and to anchor them into mainstream practice. Romanian organisations' competitiveness became a significant barrier in overcoming the increasing competition in extended European and in international markets. Raising organisations competitiveness involves changes in the people's mentality at all levels – companies, government and society. Other big challenges for Romanian organisations are to encourage socially responsible practices and extending these from large organisations to the small and medium-sized enterprises (SMEs). In this process the international programs and technical assistance has played a fundamental role.

In the transition economy of Romania, most enterprises created in the last decade are SMEs. According to the Romanian National Institute of Statistics in 2011, 93.7

per cent of enterprises created in the last two decade are SMEs³⁸, with an average number of employees of 10.6 (see Figure 3)

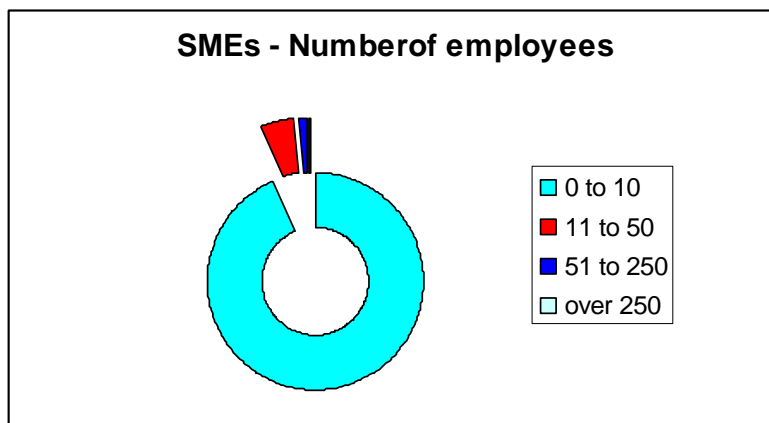


Figure 3: SMEs – Number of employees

Source: National Institute of Statistics 2011

For these SMEs the concepts of CG and CSR are totally new, and therefore many EU countries and institutions offered assistance with the intention of implementing these ideas in Romania's economy. For example, a large number of institutions³⁹ provided assistance with the implementation of CSR concepts into companies' business activities. SMEs also received support from the OECD Guidelines for Multinational Enterprises, the UNDP for the Private Sector and Development, and the UN Global Compact.

In this light, the European Commission launched the website *Mainstreaming Corporate Social Responsibility* in 2005 to sustain the process of adoption of CSR among SMEs and with the intention of increasing their competitiveness. Following this idea, Mandel (2008), in his study *CSR and competitiveness–European SMEs good practice*, concentrated on analyzing the vital connection between the competitiveness of SMEs and their CSR activities in seven European countries, including Romania. This support is ongoing, embodying numerous forms of

³⁸ European Commission definition: 'Small and Medium-Sized Enterprises (SMEs) are independent business entities with less than 250 employees, an annual turnover of up to €50 million and/or a balance sheet total of up to €43 million' (Commission Recommendation 2003/361/EC 2003).

³⁹ The Austrian Institute for SMEs, Turku School of Economics and Business Administration (Finland), Institute für Mittelstandsforschung Bonn (IfM Bonn, Germany), Instituto Vasco de Estudios e Investigación (IKEI, Spain), Agderforskning / Agder Research (ARF, Norway), American Chamber of Commerce, USA Embassy, Chamber of Commerce and Industry of Romania (CCIR).

collaboration with the objective of aligning the Romanian economy to the EU standards.

Moreover, Jose Manuel Barroso the European Commission President, speaking at CSR Europe's General Assembly in Brussels on 11 June 2009 said:

In the current exceptional circumstances, corporate social responsibility is even more crucial than ever. Far from being at odds with competitiveness, corporate social responsibility reinforces it and therefore the Commission is doing everything it can to help companies preserve jobs, while remaining competitive. (Barroso, 2009)

4.4. Legislative and Policy Framework

In this context, regardless of the stage of economic transformation in the process of transition, there is an urgent need for a supporting policy and legislative environment in which CSR can operate and thrive. So far there is no law which encourages the adoption of CSR in Romania, nor is there a requirement for the auditing and reporting of an organisation's non-financial activities. Although there has been an improvement in the Romanian legal system (the existing legal system presented no obstacle to the pursuit of CSR), there are a lack of initiatives to encourage and implement CSR (Daghie 2009). In the Romanian legal system, there is a significant gap between intention to develop CSR strategies and present laws, with dramatic consequences for a significant number of strategic plans which have been inadequately implemented, or even abandoned altogether.

The only example of legislation promoting some CSR elements is the Labour Code, which actually controls industrial relations regarding conditions of work, such as wages, security and safety, employment and the lay-off of employees. Some OECD recommendations are present in the Labour Code and refer to managers' duties and responsibilities in the work place, and there are some references to MNCs having operations in Romania. The government body Labour Inspectorate's activities are regulated by Law No. 108/1999, which is actually an application of the Agreement No 81 of the ILO relating to enforcement of the law regarding conditions of work, employment of children and young persons, and other related matters.

Responding to EU requirements, Romania, as a member state from 2007, adopted a series of environmental legislation regarding land, water and air pollution, such as Law No. 8/1991 and the Protocol on persistent organic pollutants contained in Law No. 271/2003. Romania ratified the Vienna Convention for the Protection of the Ozone Layer, adopted in 1985 in Vienna; The Montreal Protocol that aimed to

control the depletion of the ozone layer, adopted in Montreal in 1987; and its Amendments adopted in London (1993), in Copenhagen (2001), in Montreal (2001) and in Beijing (2004). According to Mining Law No. 85/2003, the issue of obtaining a mining license is subject to public discussions regarding environmental risks. The above legislation shows that the environmental problems are legally covered.

Only in the last decade, under the new Company Tax and Personal Income Tax Law and Law on Sponsorship, which records the categories of ‘sponsorship’ that qualify as deductible (Law No. 32/1994), have companies and individuals been permitted to subtract charitable contributions to non-profit organisations (NPOs) for tax purposes. This has stimulated companies’ humanitarian contributions as an aspect of CSR (Oprescu 2001).

4.5. Key Romanian CSR stakeholders

The previous Romanian CSR literature review identifies the CSR practices and issues in Romania and by identifying and analysing all major CSR stakeholders enables us to understand and expound later on their CSR views.

4.6. Romanian major CSR participants

The taxonomy of Romanian CSR participants is very much similar to the same classification as in any other country. But in the complexity of the Romanian context the CSR concepts are viewed and discharged differently by these participants. Some of them may have a slightly different role in this process which may explain the shortcomings of the CSR adoption process. The Romanian CSR participants are as follows:

4.7. Romanian Government

The Romanian Government has very little involvement in promoting and implementing the concepts of CSR. Various ministers and government agencies have elements of CSR in their documents, policies or rules, without naming CSR or defining it directly, as it is defined in Western World, and no implementation policies exist. For example, the Romanian Ministry of Economy, Commerce and Business Environment is engaged, through the Management Authority for the Special Operational Program, in ‘Increasing Economic Competitiveness’ and in several other partnership programs with the EU. The Ministry of the Environment and Sustainable Development also guides and oversees strategies and the

implementation of laws related to the environment, and has a bit more involvement in CSR through the adoption of Law No. 152/2005 and Law No. 84/2006 regarding pollution issues in Romania. At the international level, the Romanian Government has signed and ratified the Rio and Kyoto Protocols regarding climate change, and as a result Romania issued national strategies regarding climate change in 2005.

The Agency for Small and Medium Sized Enterprises and Cooperatives, along with the European Commission, is involved in rewarding the SMEs, displaying good business practices and economic results, with prizes for initiative and entrepreneurship. There is a TV show *People Awards Gala*⁴⁰ which publicly rewards organisations with good corporate social performance. But unfortunately the Agency for Government Strategies has no mention of CSR in any of their programs, as was expected.

4.8. Romanian Civil Society

In broad terms, it is known that in Romania, the condition of employment practices, environmental issue management, policies and transparency in the area of CSR are not fully formulated, mainly due to the relatively limited enforcement of existing laws and insufficient demands from inexperienced communities. CSR, as it is known in Western countries, implies profound transformation of Romanian society. At its initial stage, CSR concepts could be seen as confronting to business and simultaneously a challenge to management, communities, government, non-governmental organisations, and academia. Associations such as Centrul de Resurse pentru Societatea Civila (Resources Center for Civil Society) are drivers for change and support businesses in attaining communal expectations by delivering public goods throughout community activities, education and dialogue about guidelines. At the current stage, businesses should also anticipate to be both responsible and transparent in the opinion of their society and the rest of the businesses (Fundatia pentru o Societate Deschisa [Open Society Institute] 2010). Civitas Foundation for the Civil Society, created in 1992, supports community improvements and social programs endorsing an open, autonomous civil society. At this point there are many other social action groups, including the League for the Defense of Human Rights, in Romania. Organisations such as the business associations Consiliul National al Intreprinderilor Private Mici si Mijlocii din Romania – [The Romanian National Council of SMEs], and others are involved in development of CSR issues and have a particularly important role to play in acknowledging and implementing CSR.

⁴⁰ A cooperation of the American Chamber of Commerce, the Association for Community Relations and The Agency for Small and Medium Sized Enterprises and Cooperatives.

CSR in Romania will also contribute greatly to community development. The corporations acting as *good citizens* can develop the optimum community social harmony by promoting responsible social investments, creating employment, and providing the main CSR education, through participation in infrastructure developments like rail, road and bridges, embodying in their core activities the community's environmental concerns. Corporate and community alliances can go a long way in developing the economy, society and the environment, and therefore companies engaged in creating social and environmental benefits are very important factors for developing countries, such as those in Romania, where the government involvement in these areas is inadequate.

4.9. Multi-National Corporations

As economic development created favorable conditions for the penetration of the Romanian market by the MNCs, these major competitors introduced a new level of pressure for Romanian organisations to identify new ways of promoting their corporate image and reputation (Chamber of Commerce and Industry of Romania [CCIR], 2007). The issue of competition with the MNCs (stick with MNC throughout unless there is a difference between the two), required increasingly sophisticated strategies, such as using CSR as a source of *competitive advantage*; meanwhile the rapidly self-educated consumer learned how to make better and more appropriate business choices.

At the beginning of the 1990s, when the transition of the Romanian economy began as identified in the literature review, the MNCs put in a lot of effort to formulate their international standards of business conduct by which they voluntarily committed themselves to a particular set of norms and values such as CSR and CG. Once those corporations penetrated the Romanian market they also exported their code of conduct based on CG and CSR, their operating standards, best business practices, values, and principles, and become strong competition for local enterprises. Spreading of CSR concepts by MNCs in Romania, and major changes in the legal system, along with a generally favorable business environment, guaranteed major increases in Foreign Direct Investment (FDI), (see Appendices 1, 2 and 3), well in front of the Russian Federation, due to Romania's accession to the EU. From this point of view, Romania is in the first five countries in the Eastern European region which constantly receive FDI with increasingly high-value investments, while low-value investments are slowly moved to other countries (Asia) where EU accession-driven pressures on prices and wages has not yet set in.

Table 3: Foreign Direct Investment attracted by Romania during 2003–2009

Year	2003	2004	2005	2006	2007	2008	2009
Volume (€ million)	1946	5183	5213	9059	7250	9496	5556

Source: National Bank of Romania Balance of Payments

The head of the EON Corporation in Romania, Frank Hajdinjak, declared:

There are few countries in the region with the same advantages as Romania. The country has its own oil, gas, coal, enormous potential for renewable energy and is placed strategically in the region with connections to other markets. There is a friendly climate for investors in Romania at the moment? Unfortunately, no, (Hajdinjak 2003, speech at Gala Dinner, CSR Conference, Bucharest).

Among the major international corporations developing projects in Romania in 2010 are Enel, CEZ, GDF Suez, AES Corporation, China National Electric Equipment Corporation and the Japanese Itochu. CEZ, for example, is building a wind park worth one billion Euros in southern Romania, and Iberdrola Renovables announced they will operate the biggest wind park ever before 2017. Peter Burrow, from Bloomberg Business Week magazine, announced that Nokia established their new European manufacturing company in Cluj Napoca, Romania, in 2008, closing down their factory in Bochum, Germany, which John Guerry, the managing director, said had become too expensive. Nokia, for example, brought into Romania not only their latest technology, but also their CSR policies regarding sustainable governance, new sustainable business strategies and the organisation's code of conduct. This code drives environmental and social responsibility initiatives as part of the business philosophy and also CSR performance across all operations monitored ⁴¹. All of these corporations become strong vectors for the dissemination of CG and CSR concepts in the country.

The 2005 OECD delve research on CSR reporting practices showed that a large number of companies in emerging markets world-wide reported, or made specific statements about, their CSR and sustainability performance on their websites or in their annual reports, as shown in Figure 4.

⁴¹ In 2011, Nokia resumed their production in Romania leaving behind 3000 unemployed people and €10 million in unpaid tax.

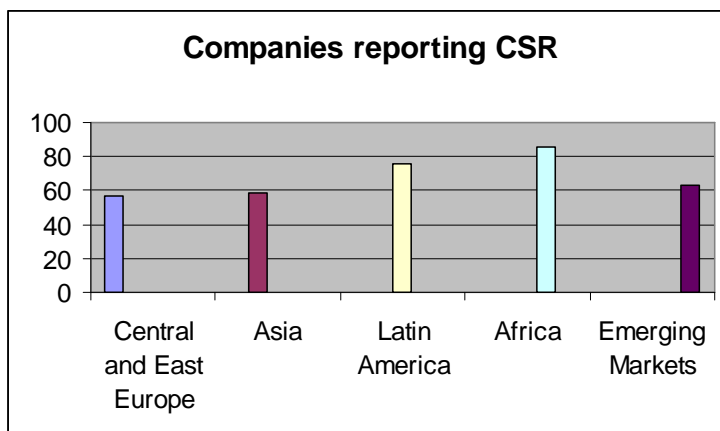


Figure 4: Companies reporting CSR

Source: OECD. Corporate Responsibility Practices of Emerging Market Companies (2005), p 15.

In July 2008, Viego⁴², a UK based organisation specializing in assessing and rating CSR performance, carried out a survey of 281 European organisations including Central and East European organisations. They found that a large number of companies understood that their CSR actions had been ‘based on’, or inspired by’ the UN Global Compact, the ILO Tripartite Declaration and the OECD Multinational Enterprises Guidelines, as shown in Figure 5.

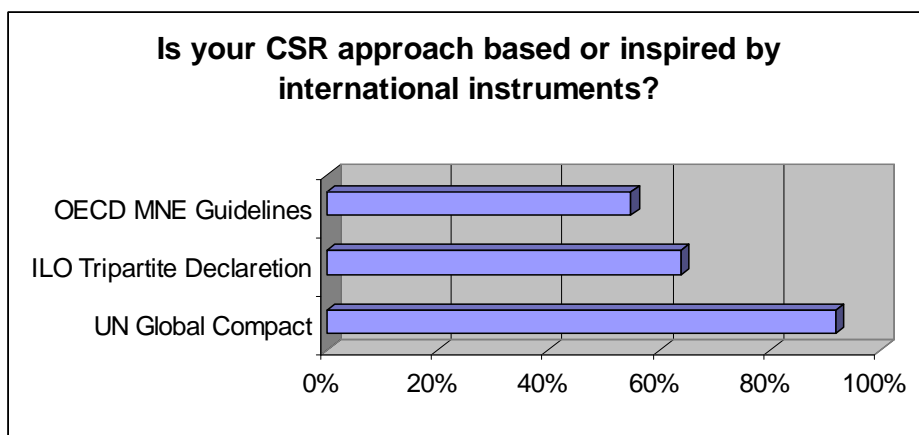


Figure 5: CSR and international instruments

Sources: Viego, 2008, OECD MNE Guidelines: A responsible business choice, p7.

⁴² VIEGO is a UK Government research project funded by the UK’s Engineering Physical Sciences Research Council (EPSRC).

4.10. Non-Government Organisations

As well as pressure from MNCs to adopt CSR, the existence on the Romanian market of non-profit organisations (NPOs) or NGOs, required Romanian NGOs to diversify their strategies and use CG and CSR in order to attract sponsorship from different sources, like the public and business sectors (Iamandi, 2007).

The NGOs in Romania, such as Agentia de Dezvoltare Regionala Nord-Est – [North-East Regional Development Agency] and the Fundatia Phoenix–[Phoenix Foundation], strongly advocated CSR and considered it a stimulating starting point for creativity and innovation. CSR could lead to so called corporate social *opportunities* involving improvements in products and the performance of services, which would permit new markets to be penetrated and new business models spread. Those international, national and local NGOs viewed CSR concepts as profitable initiatives which also involved environmental and/or socially sustainable activities; therefore, they strongly lobbied for policy and legislative changes. These NGOs advocated for a legitimate and real dedication to environmental and social responsibility and to ethical business practices. In Romania the CSR Watchdogs included: unions (the Farmers' Federation, and the Women's Association of Romania), consumer protection groups (the Romanian Consumers Protection Agency), environmentalists (Environment Protection Agencies), and NGOs (Liga Pro Europa) all watching over their own area of activities.

A few international organisations have a very important role in disseminating CSR concepts in Romania. At the very early stage of the development of CSR in Romania, the World Bank created a forum to encourage CSR dissemination. From 2002, in collaboration with American Chamber of Commerce and the *Capitalul* magazine, a series of conferences were organized in Bucharest with the purpose of encouraging the local businesses to adopt CSR principles. For a period of time, the World Bank sustained its support by organizing consultations, discussions, meetings and conferences, as well as issuing assessments on Romanian economic development.

The most important international organisation actively playing a part in supporting CSR in the entire region is UNDP. In Romania, UNDP began several projects which indirectly aimed to promote the concepts and practices of CG and CSR. New management practices and reporting procedures were required, and specified in the methodology manual beside training modules for company managers.

4.11. Romanian Media and CSR

In Romania, the media is a major factor in promoting and communicating CSR concepts and, in general, covers mostly philanthropic, environmental issues and sponsorships. Recently a large number of companies started using their CSR initiatives for advertising purposes, called *corporate marketing* and *brand marketing*, but most of the time there was no real substance to it.

Gradually the Romanian media showed an incremental interest in CSR as the phenomenon become more visible as a new and strong trend in economic development. Most of the national newspapers, radio and TV channels started covering events reflecting CSR elements such as, the American Chamber of Commerce in Romania and a succession of CSR Conferences starting in 2002. In 2003, the *Capitalul* magazine and the Open Society Foundation initiated the project 'CSR Page'. In every new magazine number an article about different aspects of CSR was published. The initiative rapidly succumbed from lack of readers' interest. In the same year, the TV première of the *People Awards Gala* was launched. The Gala was a joint activity of the American Chamber of Commerce and the Association for Community Relations and rewarded organisations with good CSR performance. Furthermore, associations like *Pro Vobis*, and the National volunteer Centre launched initiatives like the Win-Win Corporate volunteerism Initiative which has been sporadically covered in the national newspaper *Adevarul*.

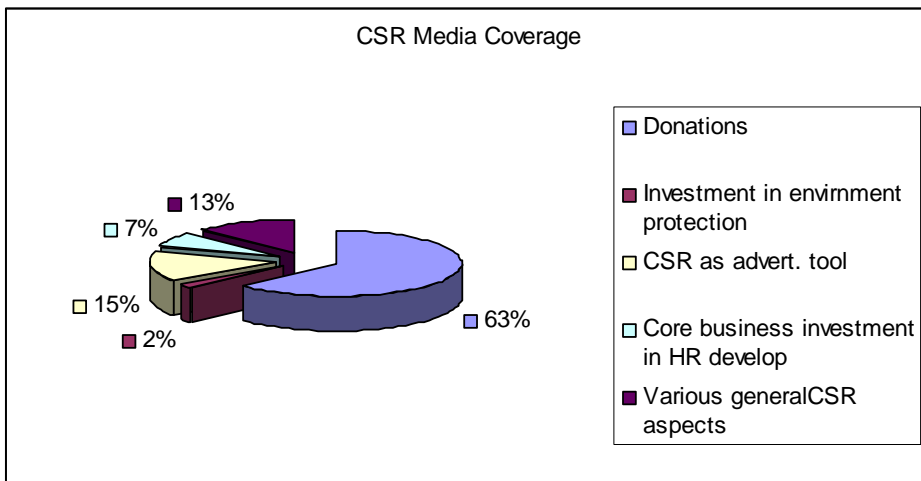


Figure 6: CSR Media Coverage

Source: G. Marinela in *Capitalul*, 23 June 2010, p. 17

In a recent short analysis of media coverage of CSR principles by Marinela, G and published in the *Capitalul* newspaper in July, 2010, 63 per cent of CSR issues identified in Romanian media are related to donations and sponsorship, and 15 per cent of companies promoted their CSR activities through advertising, often with no real substance to it (see Figure 6).

At the present time, the media has lost most of its credibility due to inaccurate descriptions of political and social issues, and it has been unable to influence favorable changes in people lives.

4.12. CSR and Romanian Universities

CSR is promoted by universities, although this topic has not yet found a strong place in Romanian academia. Very few academics know and advocate these concepts and they are not included on students' curricula in business and management schools (Ciomas 2009). In these circumstances, what is clear is that CSR concepts are present in Romania, and are spreading fast and finding strong roots in its growing economy but, there are many areas of CSR which are alien to all levels of Romanian society.

As previously mentioned, in Romanian contemporary society, CSR concepts are brought in mostly by MNCs, NGOs and international organisations. Unfortunately there is a huge gap in understanding and applying the CSR principles between local organisations and MNCs.

As a result of decades of isolation from the external world, lack of contact with Western universities, inertia, and lack of vision, Romanian universities have failed to take up CSR knowledge. In the area of CSR, the private organisations overtake universities as an engine of R&D and promote CSR as a resource for progress. The Romanian government's concern about the higher education system at this stage is not about its level and the structure of education, as much as about the increasing number of non-accredited higher education institutions, and therefore, new and tougher legislation is waiting to be passed by Parliament. There is a clear increase in government spending on education, but R&D remains far below EU and OECD averages.

Currently there is a national and international debate about the involvement of corporations in university activities and the wider sustainability of the education sector in order to better fulfill society's needs (Ciomas 2009). The debate revolves around the degree to which corporations' funds will threaten university autonomy, and the issue of academic freedom, present in the Western World and more specifically in the US, has no grounds yet in Romanian universities. Romanian universities, in

order to attract more funding for R&D, even from private sources, will be forced to consider the economy's needs and widen their curricula and cover CSR topics.

The researcher strongly believes that there is no alternative for the Romanian Higher Education system other than to increasingly rely on requests for private funding, as the government cannot afford to fund university research in sections of management systems and best practices such as CSR. It is essential that the Romanian universities recognise CSR as a social science on its own right, a science which can make a major contribution to the development of society, and increase their role in enabling CSR (Nicolescu 2006). As the present research progressed, all major universities have initiated programs for studying CSR.

4.13. Summary

The economic, social and political aspects of Romanian society in the first decade of the post-communist era were dominated by instability, high inflation, economic downturn, and lack of institutions able to provide the improvements required by the civil society. Therefore, the Romanian economy showed little attractiveness for FDI, very few NGOs were present and their influence was negligible. In this period of time there were no conditions for CSR to put down roots.

The second decade of the transition process showed marked economic improvement and consolidation of institutions under European Union supervision as requirement for EU acceptance. FDI grew, and relative maturity of the Romanian civil society, thanks to NGOs, the globalisation of markets, and European integration, required new legislation which created favorable conditions for some CSR elements to be adopted.

The Romanian Government is very little involved in promoting and implementing the concepts of CSR. Various ministers and government agencies have elements of CSR in their documents, policies or rules, but without naming CSR or defining it directly, as it is defined in the Western World, and no implementation policies exist.

In Romania, the media is a major factor in promoting and communicating CSR concepts and, in general, covers mostly philanthropic, environmental issues and sponsorships. A large number of companies started using their CSR initiatives for advertising purposes, but most of the time there is no real substance to them.

CSR has not yet found a strong place in Romanian academia. Very few academics know and advocate these concepts and they are not included on students' curricula in business and management schools (Ciumas 2009). Recently, in 2012, all major universities have initiated programs for studying CSR.

CHAPTER 5

CSR in the Textile Industry

5.1. Introduction

There are CSR sensitive industries such as mining, energy and textile industries. The first two are well known for their negative impact on the environment and communities and the latter is known especially for labor issues and brand copyrights. For the purpose of this research the textile industry was chosen as it is conveniently spread over all of Romania's geographic area and it enabled the research to fit in the time frame given.

5.2. Economic and Social Context

The textile industry is a very important economic sector, if not the main one, for many countries around the world, contributing to their GDP, exports and employment (Keane et al. 2008). The world economy registered reasonable growth until 2008 when the economic crisis began, and the export of manufactured goods by the textile and clothing industry represented 4.5 per cent of the total exports in 2006 (see Table 4) with significant differentiation between countries. According to the World Trade Organisation (WTO), countries with an above average proportion of textile industries are located in Asia, South and Central America and some African countries, which use their low labour costs as a competitive advantage (Keane et al. 2008).

Table 4: World merchandise trade by product

Region	Total manufactured exports, % of total exports (year 2006)	clothing (year 2006)	textiles (year 2006)
World	70.1	2.6	1.7
Asia	81.9	5	3.2
Europe	78.4	2.2	1.7
North America	73.5	0.8	1
South and Central America	31.4	3	0.7

Region	Total manufactured exports, % of total exports (year 2006)	clothing (year 2006)	textiles (year 2006)
CIS – Commonwealth of Independent States	24.9	0.4	0.4
Middle East	21.4	0.7	1.2
Africa	19.6	2.7	0.4

Source: WTO 2006, p11.

The importance of the textile industry is underlined by the existence of their own International Textile Manufacturers Federation (ITMF) which safeguards members' interests. In 2005, the WTO imposed the Agreement on Textiles and Clothing which abolished quotas on textiles and clothing among the WTO member countries. This shift increased competition within the industry especially from companies residing in China and south Asia, where they were supported mainly by their low manufacturing costs based on inexpensive labour costs. Subsequently, this shift created global opportunities for many other companies opening unlimited export opportunities for many of them.

Today, the textile industry is estimated by GlobalMarket (www.GlobalMarket.com) to be in excess of \$400 billion. It was hit hard by the financial crisis in 2008. Worldwide there are encouraging signs of a slow recovery (Leucuta 2009, p. 9) and that eventually the textile industry will rise to its former glory – if the world economy stabilises and does not slip into a new, even deeper, financial crisis.

In the last two decades the European textile industry recorded a continuous decline as a result of the relocation of the major textile companies to countries with low labour costs, and from increased competition from companies located in China, India, and Pakistan, and the financial crisis. A full picture of the textile industry in the European Union in 2009 is shown in Table 5:

Table 5: Textile Industry in the European Union in 2009

EU textile industry 2009	Man-made fibers	Textiles	Clothing
Companies	75	47,596	80,659
Employment x1000 persons	20	842	1,175
Turnover (€ billion)	8.30	89.70	69.00
Investment (€ billion)	0.14	2.90	1.90
extra EU-27 imports (€ billion)	0.00	17.60	57.30
extra EU-27 exports (billion Euro)	0.00	16.00	14.40

Source: Euratex, 2009b in Martinuzzi et al. 2010, p5.

The contribution of countries to the European Union textile industry is as follows: Italy 33.6 per cent, Germany 12.1 per cent, France 11.6 per cent, Spain 9.2 per cent, and UK 7.8 per cent (EU-Report by Martinuzzi et al. 2010). As a consequence of the financial crisis, the textile industry is, at present, confronted with a decrease in demand and increased prices of raw materials and energy (European Commission 2010 b). As a surviving strategy in the last decade, the EU textile industry moved into niche markets by producing luxury goods for the fashion market, branding, product customisation, personalisation and innovative production technology (Parrish et al. 2006). After the WTO imposed the Agreement on Textiles and Clothing, and especially after the 2008 financial crisis, the European Union established a monitoring system for some textile products to protect their own textile industry.

The products of Romania's Textile and Clothing (T&C) industry are present on the EU market and represents 6.7 per cent of the market share (Manaila and Petcu 2010, pp. 3–13). In 2005, the Romanian Government estimated that the consequences of the WTO's Agreement on Textiles and Clothing industry would have a dramatic influence on some of Romania's SMEs which would be forced to close with considerable loss of employment, especially for women. Moreover, in Romania, the T&C industry has also been challenged by the textile industries from non-EU countries such as Moldova, Macedonia, Albania and Ukraine, which are able to compete because of lower labour costs (Van Yperen 2006).

Between recent EU member countries, Romania's T&C industry's exports are positioned in fourth place after Poland, the Czech Republic and Hungary (Folcut et al. 2009, p. 240). Even today, Romania has an important T&C industry, which reached its peak in 2004, when T&C industry products represented 34 per cent of all Romanian exports. Manufacturing took place in 7200 companies with 450 000 employees, representing 20.4 per cent of the total labour force. Romania is now situated in eleventh position in the world's list of suppliers of the T&C industry with 1.7 per cent of the world's market share (Manaila and Petcu 2010, pp. 3–13). At the present time, the Romanian T&C industry is confronted with the necessity of developing sustainable, lasting strategies, in order to keep the industry's competitive advantage at global level. These strategies include implementing new management systems and new technologies, increasing productivity and the quality of products while also emphasising the employees' wellbeing (Leucuta 2009, p.15; Folcut et al. 2009, pp. 250–254; Manaila et al. 2010, p. 9). In this context, new management strategies could include the adoption of Corporate Social Responsibility (CSR) concepts which, once implemented in industry alongside other technological and marketing tools, may bring the organisations the competitive advantage they desperately need.

5.3. Summary

Even though there is no bad press about the Romanian textile industry, however, considering the size and importance of it, there are justified questions to be asked about how these companies organise their production process, social compliance and their environmental performance. Moreover, in recent years, international organisations, the national government, the big retailers and brands impose rigorous monitoring of these companies but their social responsibility is far from being institutionalised and often remain unknown.

CHAPTER 6

CSR instruments used by Romanian Organisations

6.1. Introduction

The European Commission's business guideline, *ABC of the Main Instruments of Corporate Social Responsibility* (2004, p. 5) states that, 'the CSR instruments are persuasive in achieving sustainable performances, promote best practices and foster a beneficial business environment'. Generally, there is a whole range of CSR instruments available to organisations and their usage mostly depends upon the organisation's knowledge. The CSR instruments in use by the EU are: codes of conduct, management systems, reporting of organisation's non-financial performance and socially responsible investments.

6.2. Business Codes of Conduct and Ethics

The word 'ethics' has a Greek origin and means character or manner. Ethics has a historical component which shows the society's concern about right and wrong; it has a normative function and a voluntary character. Businesses ethics is concerned with moral standards, principles or values which regulate conduct of businesses in relation to other businesses or individuals. A business's ethics can be extended to all internal stakeholders, especially to an organisation's management which, through their decisions, reflect their own system of values affecting all stakeholders. In the case of CSR, ethical decisions presume a cost-benefit analysis, such as maximising profits and the cost of social responsibility, which involves an ethical dilemma. Worldwide all businesses are implementing business ethics agenda to overcome the growing social responsibility expectations, legal compliance, and environmental issues with a hope of improving their bottom lines. One of the available instruments for businesses in adopting ethical behaviour is an organisation's Code of Conduct. The Code of Conduct is a governance policy, a management philosophy and a support of company culture.

As a consequence of the GFC, international organisations such as the WTO, national governments, multinational corporations and even small local enterprises are looking for global trade and business development. In order to achieve this objective, all organisations should adhere to similar business conduct embodying all stakeholders

concerns. As stated by the ILO⁴³ (2003): ‘Globalization is one factor that has pushed multinationals to initiate uniform standards of conduct in all countries in which they operate’. For instance in 1986, the CAUX Round Table was created which included business leaders from Europe, Japan and the United States as a means of promoting ‘business and industry as a vital force for innovative global change’. The Round Table used as instruments corporate social responsibility and corporate governance in reducing social and economic tensions between corporations and their stakeholders. The question remaining is how businesses develop their codes of conduct in order to fulfill all of these expectations in the absence of a clear definition of codes of conduct or corporate codes of conduct. The closest we can get to a definition of a code of conduct is that of the ILO which states that the concept ‘corporate code of conduct’ refers to, ‘companies’ policy statements that define ethical standards for their business conduct’ and are voluntary and discretionary in nature. Some of these codes have a compliance character, some are expressed in the organisation’s vision and mission and some are expressed as a management philosophy. The code of conduct concept covers a wide spectrum of issues from health and safety, labour and human rights, corruption and bribery, and environmental issues. Most transnational corporations have in their company vision or in their codes of conduct statements related to their ‘corporate citizenship’ or ‘social investment’ which has a ‘snowball’ effect on local companies, ultimately contributing to the institutionalisation of CSR.

The role of a code of conduct, according to Levis (2006, p. 51), is to fill in some gaps in the legal system, especially in countries with a weak legal system such as Romania. Iamandi (2008), echoing Levis (2006), identifies four reasons for organisations to adopt a code of conduct besides it being a legal requirement (see the interviews transcripts). At the beginning, all organisations want to show the values and principles their businesses adhere to; secondly, their intention is that all their stakeholders will do the same; thirdly, they wish to implement good governance in their businesses; and finally, they wish to show to customers the high standard of the organisation’s products or services as corporate marketing and public image management. But in order to achieve these objectives, the codes of conduct must be transparent and credible otherwise the organisations may face reputation damage, boycotts of their products, the hostility of their shareholders, protests of customers and suppliers, and can end up with government intervention and revocation of their licences to operate.

⁴³ International Labour Organization (ILO), 2003, Corporate Codes of Conduct.

In 2004, the European Commission nominated six types of codes of conduct based on their origin and purpose. These are: company codes of conduct (AA1000Standard and the Basic Guidelines for Codes of Business Conduct); the industry sector or trade association code; international codes (Global Reporting Initiative); multi-stakeholders codes generated by companies and trade unions (Ethical Trading Initiative based code); and inter-governmental codes such as those issued by the OECD (CG principles), the ILO, UNDP, and the World Bank.

In the centrally planned economy of Romania during the communist era, the purpose of state owned enterprises was to achieve full employment. Companies had very low efficiency and, as the financial resources were centrally allocated, very little was left for innovation and entrepreneurship. This communist legacy left economic, cultural and institutional barriers in the market based economy. In Romania's transitional process, from a centrally controlled economy to a free market economy, Romanian enterprises had to respond to growing challenges they faced. Increased competition from MNCs, new health and safety legislation, product and services quality standards, new environmental issues and the relevant legislation, and transparency in financial reporting and accounting required from organisations much more responsible conduct. Today, new Romanian enterprises learn, sometimes at a high price, that as a responsible member of the community, it is important how they create their products, how they redistribute their profit and the consequences of their environmental activities. These new enterprises are expected to go beyond what was traditionally done and fulfill the new social demands and comply with the new standards of business ethical conduct. In these circumstances it is a necessity for Romanian organisations to support their activities with new types of codes of conduct.

The field research revealed that before licensing it was a legal requirement for all Romanian organisations to have a Code of Conduct named 'Regulamentul de Ordine Interioare' (ROI). Companies' new Codes of Conduct or ROI are based on ILO, UN and OECD recommendations of: freedom of association and collective bargaining; anti-discrimination; fair remuneration; reasonable working hours; workplace health, safety and security; the banning of child and forced labour; environmental responsibilities; and anti-corruption actions.

As the findings from the field show, most Romanian organisations' CSR responsibilities were understood in the light of the ROI requirements, and some of them went beyond the legal requirements. How far these organisations went in respect to their CSR actions very much depended on factors previously discussed such as the managers' CSR knowledge, their economic and financial power, the

level of stakeholder demands, and the environmental issues they were confronted with as well as other factors. The environmental issues were one of the most common CSR activities which Romanian organisations were confronted with.

6.3. Assessing CSR in Romania

6.3.1. Environment

The environmental management issues are probably the best understood CSR area by the Romanian enterprises which struggle to meet both their economic goals and their social expectations. A significant number of Romanian corporations, despite their activities or which industry sector they are in, report some form of social responsibility activity. Environmental management is seen mostly through their production processes such as 'ecologically friendly' processes and/or products, waste management or pollution control involving product re-engineering, waste reduction and recycling (Marinela 2010).

Some of them portray an interest in social investment by sponsoring environmental education or through policy dialogue about environmental legislation. This new trend has been brought about in Romania by the international and local pressure created after the devastating environmental accident in the mining industry in Romania in 2000. At Aurul Baia Mare, the retention wall of the dam of disposal wastewater collapsed at a mine owned by the Australian mining company Esmeralda. Over 100,000 cubic meters of heavy metals and cyanide contaminated water was released into the river and subsequently flowed into Hungary. Esmeralda entered into voluntary administration in response to the compensation claims. In 2010, a similar accident happened at the Hungarian Aluminum Production and Trade Company (MAL) when the dam collapsed and released over one million cubic metres of caustic sludge, polluting over 40 square kilometers of land.

As a result, organisations such as Friends of the Earth in Hungary, the Mineral Policy Center in the USA, and the Mineral Policy Institute in Australia required that operations be performed in strict compliance with international regulations and standards not only in the country of residence, but also in the country where mining companies operated. This requirement came as a consequence of the European Union report on the Australian owned mining company Esmeralda, which polluted a 2000 kilometre stretch of the Danube River with cyanide and heavy metals. The report found that the present voluntary codes of conduct were completely insufficient and the European Union and Romanian government needed to act by putting into practice legislation to manage these relatively risky operations of local and foreign mining companies resulting in Mining Law no. 85/2003.

In Romania, the organisation with responsibility for national environmental protection management, supervision (compliance) and the control system is represented by the Ministry of Waters, Forests and Environmental Protection. At local government level the *Law of Local Public Administration 1991*, requires local authorities to take action with the purpose of restoring and protecting the environment and natural reserves and preserving and protecting historical and architectural monuments.⁴⁴

A previous EU assessment of the Romanian environmental legislation, elaborated by Krüger and Carius (2001), showed major deficiencies in the implementation of the law, the weighting of the environment risks versus economical gain, the role of community involvement, and especially the assessment highlighted transparency issues. Romania aligned its environment legislation to comply with the European Commission's legal requirements and also international requirements, as Romania signed and ratified the Rio, Kyoto and Copenhagen protocols.

The existence of a number of current EU projects with reference to environment and sustainability in Romania are a gauge of the actual environmental practices by individual companies. Even so, a very small number of local companies, and few international private companies, have set up environmental management teams (often called 'eco-teams') or at least, at the top management level, nominated a responsible person with the task of anticipating and defining the company's overall environmental targets. According to the 'Companies and Markets' (2010) taxonomy, which is based on companies' environmental performance, the existence of specific policies and their allocated budgets, the 'leading' Romanian environmental companies are those operating in oil and gas industries such as: Petrom and E.ON (Companiesandmarkets.com 2010) which also have a special department for environmental protection. It is important to note that the eco-team represents the only established cross-departmental managerial structure related to CSR in Romanian organisations. It needs to be emphasised here, that it is logical for companies involved in the manufacturing and energy sectors to be more concerned with directly supervising their environmental management processes and performance than the so-called 'clean' companies, such as companies from the textile industry, banks or education institutions which normally have very little environment impact.

⁴⁴ The following environmental laws are currently in use in Romania: Resolution of the Council of Ministers no. 2496/1969 on the Establishment of Sanctions for Violations relating to Waters; Law no. 9/1973 on Environmental Protection; Law no. 3/1978 on Public Health; Law 4/1974 on waters; Law no. 10/1982 on Waste Collection Hygiene and Maintenance of the Exterior of Grounds and Buildings Alongside Facilities; The Law no. 18/1991 on Land; The Governmental Decision no. 2/1994 on Quality of Buildings; The Governmental Decision no. 127/1994 on Establishment and Sanctioning of violations to environmental.

In all companies interviewed, there was an officer responsible for the environment and who was attached to different departments according to the organisation's structure. The officer was mainly in charge of ensuring that the company complied with the environmental legislation and dealt with environmental inspectors. Romanian organisations had very little environmental initiatives beyond their legal requirements

6.3.2. Corporate Governance in Romania

As shown previously, Romania's economic development over the last decade has shown constant improvement. The private sector has become predominant in the economy following the privatisation process (Badulescu et al. 2008). In the complicated and often blurred business environment characterised by the existence of a fragile market economy, inadequate managerial and business skills of business leaders and institutional inadequacies (Korka 2004; Bobirca and Miclaus 2007), the governance needs of these emerging organisations revolves around new standards for business ethics, anti-corruption legislation, increased transparency in all levels of government and society, and rule of law to regulate and foster ethical behavior.

Solutions to some of these issues can be relatively easily implemented in the current conditions with immediate effect on the economy; however, other issues need a long time to show an effect on the economy such as business ethics and especially trust in business transactions, which are strongly influenced by cultural factors (Maignan and Ralston 2002; Korka 2004; Stoian and Zaharia 2009).

In Romania, the legal business ethics currently in place need profound social changes to be re-viewed and substantive cultural changes to be institutionalised. Constant dialogue and education of all participants is required for a long period of time. This phenomenon is not characteristic just of countries with an economy in transition, or to Romania. Maignan and Ralston (2002) conducted a survey in the US, the Netherlands, France and the UK, analysing business and community requirements for ethical behaviour and found major differences across countries which reflected the economic, social, political and cultural differences.

The Romanian business landscape embodies the following typical commercial enterprises (Vasilescu 2008):

1. Commercial enterprises owned entirely or partially by the state are usually large or very large organisations often with poor economic performance. The purpose of these enterprises is to create employment and they are confronted with the managerial paradigm of maximising government revenue and satisfying a political agenda (employment) versus maximising the manager's rent extraction. The

managers of these companies are exposed to conflicts of interest and, in the absence of appropriate supervision, the manager's rent extraction or corruption prevails (Vasilescu 2008).

2. There are a large variety of privately owned companies, listed on the Stock Exchange. These organisations fall into one of the following types:

- Companies with a very dispersed ownership, where the shareholders have very little control over management – the so called ‘outsiders’ system of ownership and control – and which require a strong market and a sophisticated regulatory system (Vasilescu 2008).
- Internally owned and controlled companies, where the management team owns a large proportion of the shares and, therefore, the small shareholders have very little control over the decision making process especially regarding management rent-extraction and profit distribution.
- Small and medium-sized enterprises (SMEs) which are privately owned and unlisted on the Romanian Stock Exchange (or Bursa de Valori). Commonly the manager of these organisations is also the owner of the company, which excludes the conflict of interests between the owners and managers.

As a consequence of its adherence to the EU, Romania has introduced new business legislation and these organisations have to subscribe to the following new broad business approach which includes accountability, responsibility, transparency and the adoption of a general win-win attitude.

Subsequent to this legislation is the foundation of the Corporate Governance (CG) principles elaborated by OECD and adopted by the European Union as a base for sustainable growth. Romania as a new member has to comply with the EU legislation. In Romania the International Center for Entrepreneurial Studies at the University of Bucharest defines CG as ‘the system of rules according to which companies are managed and controlled’. The newly created Romanian Stock Exchange has adopted the OECD's CG principles on a voluntary basis for all listed companies. The European Bank for Reconstruction and Development (EBRD), in a country assessment conducted in 2004, found Romania's legal system at a ‘low level’ of compliance with the OECD Corporate Governance principles. As a consequence the new Corporate Governance Code of the Bucharest Stock Exchange contains the requirement to ‘comply or explain’ to all listed companies. A few years later in 2008, the same organisation found Romania's legal system as

having a 'high compliance' with the same principles, showing commitment to the new regulations and CG values⁴⁵.

In conclusion, despite the progress marked by the reforms in creating the institutional structure and the business legislations frameworks in Romania, there are gaps especially in the enforcement side (Duca et al. 2007). Furthermore, the existence of the gap in the implementation side of the legal system will have devastating consequences on the efficiency and credibility of the legal system and also will reduce the Foreign Direct Investment (FDI).

6.4. Corruption in Romania

It is generally accepted that corruption is a barrier to development and is particularly detrimental to business development (Donaldson, 1982; Johnston 1997; Rose-Ackerman 1978 and 1999; Madularescu, 2006c). Romanian organisations are aware of the economic shortcomings of widespread corruption, especially when they need FDI. Therefore, the activism of non-government organisations and society at large has become more energetic in requiring the government to find solutions to eradicate corruption. In 2005, confronted with the necessity to identify corruption, the Romanian Government requested help from the World Bank to establish the magnitude of corruption. The World Bank assessment, adopted by the Romanian government as the 'National Program for Prevention of Corruption' showed that the fraudulent behaviour of organisations, and ultimately their managers, is seen by the Romanian society to be extensive. Approximately 67 per cent of the Romanian people consider that 'all' or 'most' of the public servants and managers are corrupt. The World Bank assessment shows that public servants, especially those at lower levels, register as having a corruption level of 44 per cent. The popular perception of corruption is that it is a routine part of life as represented in Figure 7. According to the World Bank data, over 50 per cent of the survey participants, covering all subgroups of the sample participants, shared the view that the entire, or the majority of, the officers in Customs and the Judiciary system were involved in some unethical practice or corruption. The highest corruption score is recorded for the officers of the State Property Fund, parliamentarians, medical staff, and the law and order enforcement agency. As a positive outcome, nearly all of the survey participants judged fraud as not so extensive in the military, post and telecommunications sectors and in the Romanian media.

⁴⁵ The following legislation is associated with CG in use: The Commercial Code, Law no. 31/1990; Law no. 29/1990; Law no. 297/2004; Law no. 122/1990; and Law no. 346/2004.

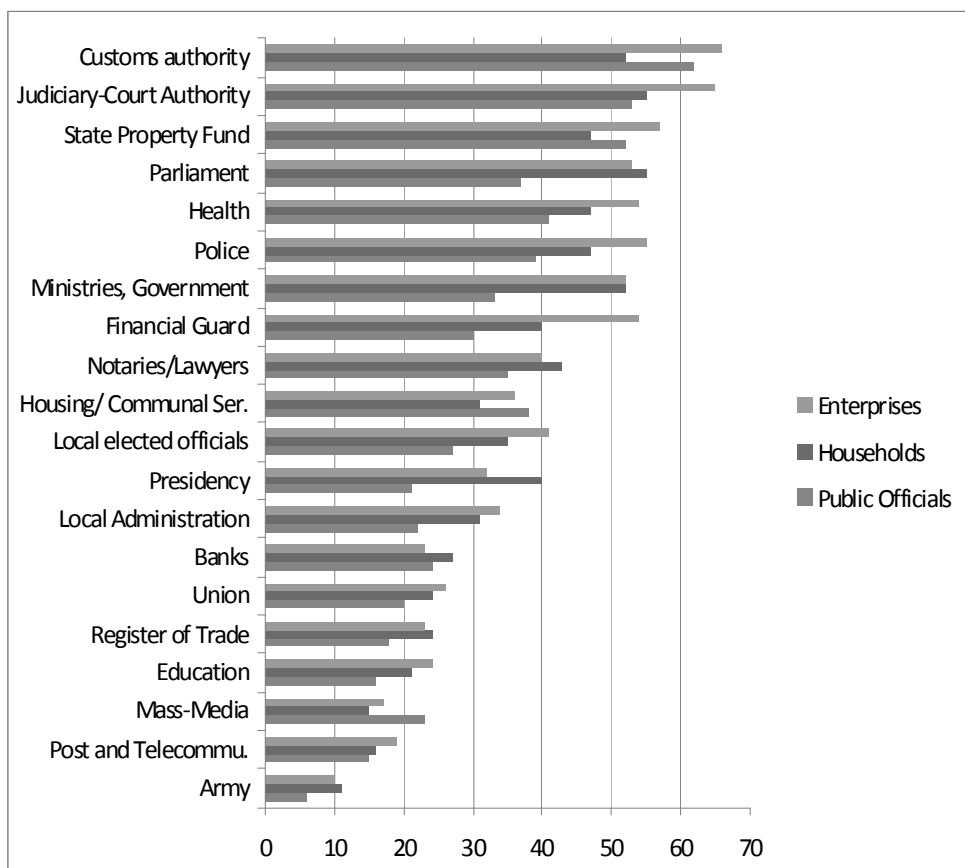


Figure 7: The Level of Corruption in different Government Agencies

Sources: World Bank and Management Systems International (MSI)

In government attempts to eradicate corruption it is imperative to assess correctly and understand the structure and reasons behind corruption. In addition, it is just as significant to comprehend how corruption affects communities, individuals, businesses and even the public servants. The World Bank assessment revealed that 38 per cent of different officials encountered various forms of ‘offerings’ intended to influence the expected outcome of a transaction (see Figure 8). The same report showed that almost 42 per cent of businesses and families felt it had been necessary to offer a bribes or a small gift to a range of public servants with which they had come across in the past year, as shown in Figure 8.

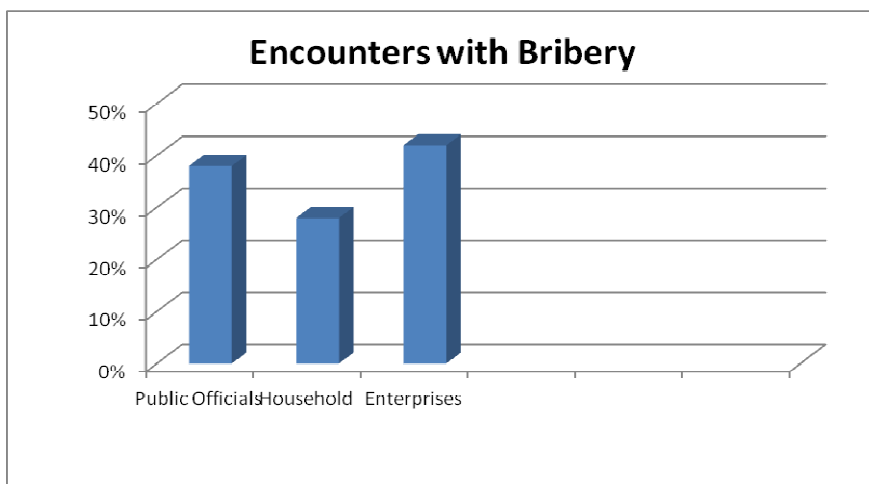


Figure 8: Encounters with bribery

Sources: World Bank and Management Systems International (MSI).

Further research into the phenomenon of corruption indicated that the business environment, which is over regulated or inadequately regulated, is susceptible to corruption as the public servants are obliged to put into practice and verify compliance with government regulations (Campbell 2007; Matei and Popa 2009, 2010). This research clearly shows the connection established between government rules and the degree of the state capture and administrative corruption which are in line with the data shown in World Bank assessment of Romania. Studies in the UK, and especially the US (Johnston 1997; Rose-Ackerman 1978, 1999; Campbell 2007), underline that quite a few general issues, such as transparency and accountability in politics and public administration and lack of a sound business environment, are connected with poor government management and soaring levels of corruption (Sandholtz and Taagepera 2005; Gradinaru, 2009). Transparency in decision making processes, at all levels of government, is vital in establishing a sound business environment

Since the World Bank (2001) report, Romania has progressed considerably in the fight against corruption as a result of the government's voluntary actions, pressure from civil society and the express request of the European Union as a criteria for admission. More Romanian companies now recognise that CSR concepts are non-legislative norms and they can employ codes of conduct based on ethical principles which can help implement appropriate business behaviour and so increase the level of their bottom lines. By adopting the anti-corruption legislation, Law no. 64/1995 which states, 'On certain steps for assuring transparency in performing high official positions, public and business positions, for preventions and sanctioning corruption',

the government implemented public administration reforms associated with the recruitment of public servants, promotion and the separation of government administration from politics. New financial and accounting reporting regulations were introduced, requiring independent audit and oversight, in line with the EU requirements. The Romanian authorities' deal with corruption through the National Anticorruption Directorate which build strong cases against high level persons in government, politics and administration who are corrupt. In 2010, for example, the National Anticorruption Directorate convicted 11 high level government officials: a prime-minister, three ministers, two senators, one MP, two secretaries of the state, and two regional government representatives. Additionally 22 mayors and six vice-mayors, 13 magistrates, 19 lawyers, 18 members of the Financial Guard (Garda Financiară) and one General in the National Ministry of Defense (Guvernul Romaniei 2010) were also convicted.

In 2009, the European Union assessed Romania's efforts in the fight against corruption as weak. The low rate of progress in Romania's legislative reform and the fight to eradicate corruption, could result in the ineffective implementation and application of the European Union's legal system, rules, plans and agenda. The Commission offered assistance to Romania in order to overcome these deficiencies and in return expected progress in judiciary reform and in the fight against corruption. In this light, for example, the 2010 report of the National Anticorruption Directorate showed that 2 magistrates, 10 lawyers, 24 police officers and 11 taxation officers were convicted.

Worldwide, in 2009, Transparency International listed Romania's corruption perception as being on 71st position, which is somewhere in the middle on the corruption scale, well ahead of Russian Federation and former Soviet countries (see Table 6).

Table 6: Worldwide Corruption Perceptions ranking of countries

Rank	Country	2009	2008	2007	2006	2005	2004	2003	2002
1	New Zealand	9.4	9.3	9.4	9.6	9.6	9.5	9.5	9.4
2	Denmark	9.3	9.3	9.4	9.5	9.5	9.5	9.5	9.5
71	Bulgaria	3.8	3.6	4.1	4.0	4.0	4.1	3.9	4.0
71	Macedonia	3.8	3.6	3.3	2.7	2.7	2.7	2.3	-
71	Greece	3.8	4.1	4.6	4.4	4.3	4.3	4.3	4.2
71	Romania	3.8	3.8	3.7	3.1	3.0	2.9	2.8	2.6
146	Russia	2.2	2.1	2.3	2.5	2.4	2.8	2.7	2.7

Source: Transparency International (2009)

Despite these successes Romania has a long way to go in the fight against corruption which has to involve all levels of society. In this respect the US Ambassador to Romania, Mark H. Gitenstein, in his speech at Bucharest Stock Exchange on 1 April 2011 said:

Yes, for sure I have seen progress. Also my colleagues from Great Britain and Canada which are present here and we all have witnessed the steps forward. For example, I noticed progress in the police and judicial domain, also regarding the National Agency of Integrity and the last report on the Mechanism of Cooperation and Verification (MCV) was very encouraging. Are these enough? No, they are not!

The progress in the fight against corruption was underlined by the 2011 report by Transparency International situating Romania this time in position 69. The dominant point is clear: Romania has to be more transparent and develop and implement Corporate Governance and Corporate Social Responsibility concepts to the level required by the international community.

Corruption in any form is damaging to the society and therefore no efforts should be spared to eradicate the phenomenon. In the case of Romania, after two decades of transitioning towards democracy, all levels of the Romanian society understand the importance of eradicating corruption. For a variety of reasons, many international organisations, such as the EU, the IMF and the World Bank, constantly monitor the progress recorded in this area. As Romania became a member of the EU, the anti-corruption results are very important to get full membership and enjoy its benefits.

What it is important is the fact that Romania, both pro-actively and under international pressure, is irreversibly engaged in eradicating the phenomenon of corruption. The expected results may not be occurring as fast as everybody wishes – and this is the ‘cornerstone’ of governance. The other intractable problem is that, although the government pays lip service to resolving the corruption issues, they themselves are abusing their power with favoritism, nepotism and promotion based on political orientation and not on skills, performance and knowledge. At this stage, the legal infrastructure and policies are in place but what has to be done is to correctly and fully implement this legal framework. Therefore, the international community has to continuously pressure the government and make it accountable for the implementation of all anti-corruption legislation and thereby creating greater transparency, which is the guarantee for a healthy and prosperous society.

6.5. Summary

The most common CSR instrument used by Romanian organisations is code of conducts (ROI/Romanian). The role of a code of conduct is to fill in some gaps in the legal system, especially in countries with a weak legal system such as Romania. The reasons for Romanian organisations adopting a code of conduct, besides it being a legal requirement, are that they wish to implement good governance in their businesses. Romanian organisations' codes of conduct or ROI are based on ILO, UN and OECD recommendations.

In assessing CSR in Romania, this chapter identified as the most common and known CSR issue as the environment which is heavily regulated after EU intervention and a serious environment accident in a mining company (Aurul- Baia Mare, owned by Esmeralda Australia). As a consequence of its adherence to the EU, Romania introduced new business legislation and Romanian organisations have to subscribe to the following new broad business approach which includes accountability, responsibility, transparency and the adoption of a general win-win attitude which defines organisations' governance. Romanian organisations listed on the stock exchange are now labeled as highly compliant with OECD corporate governance principles. If they do not comply, the principle 'please explain' applies as anywhere else in the West.

This chapter assessed Romania's fight against corruption. In 2009 the EU assessed Romania's efforts in the fight against corruption as weak. The Commission offered assistance to overcome these deficiencies and in return expected progress in judiciary reform and in the fight against corruption. The 2010 report of the National Anticorruption Directorate showed that few Romanian officials were convicted. The new report of Transparency International, in 2011, situated Romania on position 69. Romania has to be more transparent and develop and implement Corporate Governance and Corporate Social Responsibility concepts to the level required by the international community.

CHAPTER 7

Romanian perspectives of CSR

7.1. Introduction

The purpose of this research is to address the following:

- to identify the ways the Romanian managers make sense of CSR comparing Romanian Managers (RM) with their counterparts from MNOs
- to investigate how the CSR theories discussed in the literature review apply to their practices, and which of the CSR elements they implement in Romanian organisations
- to investigate the process of adoption of these CSR elements.

The researcher carried out interviews in four companies. Company A, an international corporation, based in Romania with operations in both Romania and Germany. The organisation has to comply with the legal, economic and social systems in both Romania and Germany. Their managers are much more exposed to the Western business culture characterised by strong competition and increasing social demands in Romania and Germany, and explains their strong opinions on corporations' role and responsibilities in society. Company B is a fabric manufacturer, established in 1823, and has managed to survive the upheavals of the last two decades, mostly thanks to the skills and dedication of their GM who has an excellent reputation. Company C is a clothing manufacturer having DuPont as a major partner. Basically the company works for Du Pont which provides their raw materials, orders, sales and marketing. Company D manufactures a wide range of bath towels, gowns and other similar products. The company was, and continues to be, the supplier of the Romanian royal family and this fact is used mostly for an advantage in marketing.

According to the size of the company, the researcher selected three to four interviewees, all in management positions. The list of interviewees included the GM or owner, depending on the circumstances, and other middle managers with responsibilities in applying CSR elements, such as plant managers, HR officers, OHS or environmental officers and so on. All interviews were conducted separately during working days at a time convenient to the interviewees in their

normal working offices. Some of the semi-structured questions previously prepared were extended or slightly changed, where relevant, to accommodate each interviewee's understandings. During the research period, the researcher noticed the temporal validity of data as many international and local events, occurring simultaneously with the interviews, strongly influenced managers' opinions in relation to CSR and distorted their CSR adoption decisions.

The literature review revealed that the most significant contributions to the development of CSR theories in English speaking countries came from the US and the UK as a corollary of their economic, social and political (democratic) development. Many countries, including Romania, followed the US model of organisational structure and the embedding CSR into the management philosophy. What happens in the US has repercussions over the entire world as is the case of the current financial crisis.

The research was carried out in Romania in the second half of the 2011, when the European Union financial crisis was worsening, according to the assessment of the RBA governor Glenn Stevens: 'Financial markets have experienced considerable turbulence, and financing conditions have become much more difficult, especially in Europe'. At that time the Romanian economic environment continued to be significantly marked by the turbulence of this financial crisis. The Romanian media extensively covered the financial crisis. Generally speaking, the financial crisis was attributed to the unlimited greed, fraud and questionable business practice of corporations' executives. Many capable and honest managers now question the values of capitalistic principles related to corporate responsibilities and morality. As presented in the literature review, the opinions of Maignan and Ralston (2002) exemplify those in general in Europe where organisations do not show the same enthusiasm for the principles of Western neoliberal capitalism and consequently for CSR. As a consequence of the conditions portrayed above, there has been a loss of confidence in the concepts of CSR and also in its glamour.

In this context, Romanian organisations' are facing the dilemma of following the example of firms from countries with a long and 'successful' development of capitalism, or following their own way. This blurred situation has also influenced managers' understanding and adoption of CSR. Managers found themselves in the position of answering these rhetorical questions:

1. Why should I be concerned about CSR issues when the economic results in the US are so bad and those in Europe are no better?
2. Are these companies, or could they be, a real model for us?

In light of the previous discussion, the researcher found that, most of the Romanian managers expressed their disapproval of the American model of capitalism, which in their opinion, was driven only by profit. This view was strongly expressed in the statement of the interviewee A1 who said:

The [Romanian] media presents capitalism as a supreme objective, which is not necessary good. The big corporations are driven by the thirst for money which actually generated the current economic crisis. To copy American capitalism is a stupid thing to do and therefore by following it just serves their objective to overrun the country economically.

Similar views are expressed by A3 who said:

At some stage the big corporations just ignore everything, the society and even governments. For example in the US where the rich people and the big corporations refuse to pay a fair part of the tax required to recover from the economic crisis and believe that they are stronger and above the rest of society.

As an example the interviewee used the case of BP and the ecological disaster produced in Gulf of Mexico in 2010 noting:

The big corporations are responsible for the actual economic crisis and show only cheating, lying, misinformation, tax evasion, bribery, and extraordinary competition towards the maximisation of profit. Managers and directors are gratified with astronomical salaries and show no respect for ordinary employees, or concern for their jobs and the society at large. (B3)

In these harsh economic conditions and growing competition, in order to survive, Romanian organisations have to adapt themselves and proactively respond to these environmental shocks by rethinking their products or services portfolio (for example, producing more eco-friendly products), restructuring their organisations to accommodate these changes and by adopting new and more efficient management styles as mentioned by the interviewee A2 who said:

Slowly more companies have to understand that it is not enough to make a profit and pay the tax to the government. Companies have to balance their economic activity, the ethical and social responsibilities.

Even managers from local companies with a limited international experience expressed similar views such as interviewee D1 who said:

Very few outsider [international] companies care very much about what is happening in Romania. All the sly people came with intention to make quick bucks and leave. In our industry there are a lot of companies in the lawn system. They just rented

the premises and the workforce. What will happen if the circumstances change? They leave. They are not serious partners.

The case of Nokia was mentioned. What Nokia did not mention at all when they established their factory in Romania in 2007 was their HR policies and their commitment to the local community. The company closed their operations in Romania, after just four years and retrenched 2,200 employees leaving €10 million in unpaid tax to the Romanian government. Many other similar examples can be given.

The previous statements illustrate the common view that in Romania it seems that the international corporations have lost their reputation and trust and they are not a serious investment partner breaching the OECD Guidelines for Multinational Enterprises, the UN Global Compact initiatives and the standards of corporate behaviour. Later on, the same interviewee added, in relation to the international corporations being model for Romanian organisations: 'No, they just want to eliminate you from the market'.

As the research was carried out during the recession period, one can say that the opinions of interviewees were strongly influenced by the developments of the financial crisis on the international stage, which in their opinion, partially explained their hardships. Furthermore, all participants mentioned lack of government support for their industry, and its general lack of vision for the Romanian economy both for long and short term. In these social, economic and political circumstances, managers' personal experiences and understanding of the world directly and substantially affected their understanding of CSR concepts and their willingness to adopt them. These preliminary discussions will provide the basis of further analysis of managers' CSR sense making.

7.2. CSR Findings

As presented in Table 7, the researcher discovered that a very small number of managers knew the meaning of CSR. From the researcher's direct observation, the category of 'heard about CSR' can be considered a nice form of saying 'I do not know anything about it'. It can be said that CSR knowledge, at least in the way described by the English academic literature, is not widely known as only one manager was fully knowledgeable about it and two others showed only some knowledge. This situation was a consequence of the specific circumstances in which these companies operated and also of the historical development of the country, as Romania is an emerging economy. Analysing the spread of CSR knowledge shows that the media have totally lost their credibility and that academia

is in the process of assimilating this knowledge, which will take some time to be institutionalised in Romanian universities, and even longer in the economy. In private discussions with different Romanian research participants, the opinion was expressed, in relation to CSR, that the research findings represented the common view across industries in Romanian organisations. The main way in which Romanian managers make sense of CSR is mostly a *folk way* as there is not any formal CSR education for Romanian managers and in communities at large there is a scarcity in CSR demand as the community spirit is underdeveloped and their expectations are negligible.

The present research critically reviews all the CSR elements applied in Romanian organisations by answering to the following research questions (RQ):

7.3. Answering to question 1

Is there a difference in the understanding of CSR of the managers of international corporation when compared with local organisations, and if so, why?

The literature review explained why there was a historical difference in the understanding of the CSR discourses between Romanian managers and their MNO counterparts. Moreover, the literature review offered abundant evidence in support of the view that ‘one size fits all’ does not apply to CSR as there are numerous variables affecting the way the managers understand and apply CSR theories (Davis 1960; Carroll 1999; Garriga and Mele 2004; Dahlurst 2008; Stoian 2010).

As revealed by the field research, almost all participants’ concerns (93 per cent) were related to their survival, and they mentioned their limited financial capacity in fulfilling some social responsibilities. The rest of the respondents, who had not mentioned it, also did not exclude this concern. These findings are in line with other previous research (Korka 2001; Cerami 2006; Vuta et al. 2007; Iamandi 2007; Matei and Tuca 2011) which investigated the CSR activities of Romanian companies and came to similar conclusions.

However, there are increasing world-wide demands on organisations to be more responsible, transparent and socially involved (Carroll 1999) which is evident as managers raised questions over organisational identity and their ability to interpret social needs.

The present exploratory research carried out in Romania analyses in detail the CSR practice in Romanian firms which is greatly influenced by the managers’ understanding of CSR concepts. In most of the cases, the company’s understanding of CSR concepts coincided with their managers’ knowledge of CSR, and the

manager's personal skills in negotiating the social needs with all stakeholders, which ultimately determined the organisations learning capability (Meyer 1982).

The present research identified that there was very little theoretical knowledge of CSR concepts by the managers or owners. From the small sample interviewed (15 people), 33 per cent of the interviewees declared that they had *no CSR knowledge*, 47 per cent of the participants declared that they have *heard about CSR*, 13 per cent had *some CSR knowledge* and 7 per cent were *fully knowledgeable*. As previously mentioned, if we add the category 'No CSR knowledge' (an open and clear answer) and 'Heard about CSR' (which may be construed as meaning 'I know very little about it') we arrive at a massive 80 per cent of company management teams which have no CSR knowledge.

Analysing CSR knowledge in neighboring Hungary, Astvany (2010) came to a similar conclusion after interviewing a much bigger sample (157 interviews). The differences between the two research findings may come from cultural differences, geographical representation and sample size, to list just few of the possible variables which one can take into consideration.

Table 7: CSR knowledge in the Textile Industry

No CSR knowledge %	Heard about CSR %	Some knowledge %	Full knowledge %
33	47	13	7

As described above, in the Romanian textile industry the managers' had very little CSR knowledge and therefore their understanding of CSR was mostly elicited by the researcher through analysing the organisation's CSR performance or by conducting an inventory of the organisations' CSR actions. In the absence of clear organisational vision and mission statements, which may embed CSR elements, the researcher analysed the organisation's CSR performance by asking specifically which particular CSR activities they are engaged into (example: philanthropy). These performances depended greatly on the manager or owner's CSR sense making and their understanding of the firm's social responsibility and their financial capability to fulfill these social needs to some extent (Vuta et al. 2007; Iamandi 2007). A managers' personal capability in developing a rational and realistic map of the environment in which their organisations are performing their activities will determine their ability to make sense of the elements of the environment and specifically, CSR concepts (Ring and Rands 1989, p. 342).

The most common CSR elements identified in the organisations visited and mentioned by the management were OHS (73 per cent), working conditions (86 per cent) and environment related issues (100 per cent) which was similar to Stoian's (2009) findings. A company's environmental assessment is a legal requirement for all organisations in order to obtain their licence to operate, which along with some forms of philanthropy, were the only external signs of CSR recorded. Although not mentioned as such, all managers understood that their organisations have to take into consideration the demands of their stakeholders, such as their employees' OHS and working conditions, and the community, by offering employment for the locals and caring for the environment (Porter and Kramer 2006, p. 92).

All companies from which employees were interviewed were well established in their communities. The oldest one was founded in 1823 and their managers have worked in these companies for a very long period of time. A bond had been created between the employees and management. In most of the cases studied, the managers treated the employees as part of an extended family and proactively and positively provided for their needs. One of the managers expressed great concern in relation to the ageing workforce and lack of interest from the younger generation in taking a career in the textile industry. The managers of this company were willing to take the responsibility to qualify this younger generation but they were dissatisfied by the responses they got. These actions of the Romanian managers clearly related their *intuitively* assumed responsibilities and answers Carroll's (1998) question: 'What is business expected to be or to do to be considered a good corporate citizen?' All managers interviewed were committed to their organisations' success and to the employees' wellbeing, which clearly shows their goodwill commitment to being a 'good corporate citizen'.

7.3.1. Conclusion

To conclude, one can say that, the Romanian managers embedded in their daily routines some elements of CSR, which came not only from the external pressure of MNOs and NGOs present in Romania, but also from their own cognitive map of the surrounding environment such as increasing productivity, improving working conditions, qualifying the work force, tax requirements, etc. This map determined their relationship with their stakeholders (government, employees) as underlined by Weick (1995) and Brikson (2007) and also emphasised by the statements of interviewees A1, A2, B3, D2, D3.

The Romanian managers constructed their own meaning of CSR according to the conditions existing in their perceived environment (Weick 1995) and implemented only those CSR elements 'perceived' as important in their business model of their

‘perceived organisation’. In this context one can say that the meaning of the word ‘perceived’, as it is used by Weick, corresponds, for Romanian managers, with the CSR sense making of the environment identified by the manager in the given conditions. The meaning or sense of CSR ‘perceived’ by the Romanian managers is not necessarily fully comprehensive, as in Western countries, but it is the most acceptable meaning in their particular circumstances.

In the process of CSR sense making, one has to take into consideration all personal characteristics of the managers such as their level of education, age and past experiences, and the motivational factors existing in these particular circumstances, as Pfeffer (2005, p. 128) believed: ‘what we do comes from what and how we think’. The research concludes that, at the end of the day, the outcomes of CSR are much more important for all stakeholders than the correctness of their understanding of CSR (Basu 2008). The Romanian managers’ CSR sense making is greatly supported by analysing the findings of the second research question.

7.4. Answering to question 2

What CSR theories do Romanian managers use to explain their CSR actions?

In the Romanian context, as illustrated in Chapter 4, CSR has, and will continue to have, a very important role in the processes of modernising the economy. The task now is to increase and diversify the current CSR activities and elevate management consciousness in order to extend and disseminate the concept all over the country and so have it become part of the normal business management philosophy. The adoption of CSR views should bring into Romania positive social changes and wellbeing, therefore, it is important for Romania to look at what CSR theories are intuitively used by Romanian managers to explain their CSR actions and how the CSR theories are applied in this particular economic system. The Romanian economy is determined by the economic characteristics of the participants and their ability to understand and apply CSR concepts and theories.

In order to answer to this question, the researcher applied Aguilera’s (2005) CSR participants taxonomy, analysing the CSR views of each category of participants. This was combined with Garriga and Mele’s (2004) CSR classification theories, by analysing each theory’s components in the light of the Romanian managers CSR understanding, which directly influenced their adoption of CSR.

Aguilera (2005) identified four levels of participants/actors in CSR: individual, organisational, national and transnational. Aguilera argued that these participants adopted CSR principles driven by relational, instrumental, integrative and moral

considerations. Research conducted in Romania by Stoian and Zaharia (2009) clearly shows that the motivation of Romanian managers in implementing CSR is different from their Western counterparts, and is determined by the different levels of social, political and environmental requirements of Romanian society.

Broadly speaking, the CSR literature shows that the companies adhering to the CSR instrumental approach show 'a significant positive effect of corporate social/ environmental performance on corporate financial performance' as described by Aguilera (2005) whose observations are supported by Orlitzky, Schmidt, and Rynes, (2003). The present research does not entirely support these views, though without rejecting them, and brings in recent evidence supporting the limited validity of previous researchers' views.

According to a thorough survey conducted in neighboring Hungary at Obuda University's Faculty of Business Management, at the individual level 74.5 per cent of the population had heard about CSR, from which only 3.2 per cent were 'fully knowledgeable' about the meaning of CSR and 14 per cent were 'almost knowledgeable'. The CSR knowledge in suburban areas is assumed to decrease substantially (Astvany 2010).

In the present research similar results were found with 80 per cent of the participants stating they had heard about CSR, 13 per cent had some CSR knowledge, and 7 per cent were fully knowledgeable. With such limited CSR knowledge, one can say with confidence that CSR has had very little impact in economies in transition, and is mostly expressed in employees' wellbeing, small charitable actions and limited environmental activities. This is confirmed by research conducted by Vuta et al. (2007), Iamandi, (2007), and Stoian et al., (2009) and certainly is regarded as having no *immediate* and *significant* contribution to a company's bottom line.

Following Aguilera's (2005) classification, at the *organisation level*, there is a multitude of CSR research (Gill & Leinbach 1983; Wokutch 1990; Kapelus 2002), but very few comparative studies have been done which focus on the economic and cultural differences between countries. On the other hand, in the Romanian economic environment, 93.7 per cent of enterprises created in the last two decades are SMEs, according to the National Institute of Statistics 2011, with 11 being the average number of employees. For the managers / owners of these SMEs it is unlikely that CSR concepts are familiar, but most likely they are unknown or are very new. Therefore, EU encouragement and the assistance of many EU countries and institutions, clothed in a variety of forms, focuses mainly on analysing the important association between the competitiveness of SMEs and their CSR

activities. The SMEs' responses to these efforts are mostly from the legal compliance point of view, and their enthusiasm for CSR rapidly diminished as the results on their bottom lines are perceived as not significant or not immediate. On the other hand, the concept of CSR has suffered significant erosion as the Global Financial Crisis (GFC) was largely attributed, by the Romanian general public, to the big corporations and their unethical behaviour (see interview A1, A3, B2, D1).

SMEs' adoption of CSR is mostly affected by the manager/owner's ability to make sense of the of the CSR concepts. In some circumstances companies' CSR activities are regarded as common sense, but because there was no reporting system in place, their actions remained unnoticed (Oancea and Diaconu 2007a). The research identified, at the organisational level, CSR elements related to the improvement of technologies applied in the workplace. All organisations interviewed were ISO 9001 accredited and applied Romanian Health and Safety Standards, which enhanced the organisations' competitiveness. Other CSR elements present at the organisation level were related to the environment which is strongly regulated by the environmental legislation and is separately analysed in the thesis. There were also changes due to new industrial relations legislation regarding the relationship between employees and employers.

Also at the organisation level, there were limited and sporadic philanthropic actions, which were seen as CSR actions of the SMEs, such as supporting hospitals, schools and sporting events in their local communities (Allavida 2003; Interviewees A1, B1, C1, and D1). In this context all research participants, mentioned their limited financial resources as a reason for their limited philanthropic activities.

In conclusion, the present research identified the following CSR aspects at the participants' level: international accreditation, OHS, environmental regulations and philanthropic activities. This is in line with the results of similar research carried out in Romania by Stanciu, (2002), Oancea and Diaconu (2007a) and Stoian, et al, (2009) and in other countries: in the US by Aguilera (2005), in Greece by Diamantopoulou (2005), in Russia by Horowitz (2009), and in Poland by Lewicka-Strzalecka (2006).

Adoption of CSR views in Romania, at the *organisational* level, require major transformation at organisational, social and political levels. In order for CSR concepts to be adopted at the managerial level, it requires the implementation of a different organisational culture based on a clear vision and mission for the organisation and a change of leadership style, as usually the CEO is the architect of the management philosophy whether it includes CSR or not.

Certainly there is a pressure on firms *internationally*, to increase and broaden their social responsibility practices in order to fulfill continuous growing social demand (Henderson 2001; Freeman et al. 2001; Logsdon and Wood 2002; Davies 2003). Romania is not an exception to the trend and there are internal and external factors which stimulate CSR initiatives as a result of the integration of the Romanian economy into the wider European Union market, with growing foreign investment and the presence of NGOs (Korka 2004; Stoian and Zaharia 2009). Porter and Kramer (2006) found that organisations use CSR as a competitive advantage, looking to get a socially approved ‘license to operate’ in their corporate marketing which is also a CSR dissemination instrument. The present research revealed that some of the Romanian organisations’ internal CSR activities, such as OHS and employees’ working conditions are largely used as a competitive advantage. As marketing tools they go beyond the legal requirements, or in some circumstances there is just alignment of an organisation’s activities with the national and international legislation. Similar results are reported by Stoian et al. (2009).

At the *national* and *international* levels, Romanian companies, and especially those from the textile industry, are subject to ferocious competition from MNCs. Once those corporations penetrated the Romanian market, they brought with them their business models based on a CSR approach. Some researchers (Korka 2004, 2005; Vuta et al. 2007) even attributed the increase in Foreign Direct Investment (FDI) in Romania (Table 3, p. 41) to Romania’s adherence to the EU and its adoption of CSR views. These opinions have a temporal validity.

Public opinion regarding the MNCs, and their contribution to the dissemination of the CSR concepts, suffered a rapid change as the increasingly negative effects of the financial crisis, anti-corporation activism, and media criticism of the corporations took effect.

The present research was conducted four to five years after the research mentioned above (Korka 2004, 2005; Vuta et al. 2007). These years were strongly marked by the economic recession which substantially changed managers’ and their organisations’ views of the MNCs’ contribution to the spread of the CSR.

At the present time, the research suggests that public opinion is against the big corporations which are viewed as generating the economic crisis with their ‘irresponsible’ behaviour. The majority of the participants in the research (80 per cent) mentioned that they were not an example to follow, and as an extreme, interviewee D1 regarded MNCs as having a destructive effect on the Romanian economy. Also interviewee D1 gave examples of foreign companies which, through a corrupt privatisation process and in absence of an adequate legal system, bought

competitive Romanian companies, bankrupted them, stripped them of all equipment, and relocated them so that now there are no companies, no jobs and no hope in the community. In these circumstances there is no wonder why there is such a strong resentment against the MNCs and CSR concepts have a low impact. The following statements are representative from interviewee A1:

The image of capitalism is totally distorted and it is an illusion. It is not social responsibility; it is just giving to the beggars. If the company does not reach their level of profit, they move their activities to countries with cheap labour, disregarding the needs for jobs of the locals.

Or interviewee D1 who stated:

From our experiences, and from the experience of other companies in the textile industries which we have known for many years, the foreign companies are not necessarily an example for anybody. For example, the company which bought APACA destroyed the company. Now there are about 400 employees left from about 3,000. The machinery disappeared. We are in court with an Italian company which refuses to pay for the goods delivered for over 2 years. The money blocked there for so long a time could be very useful to the company now when we are in a critical situation.

Also an alternative view to the CSR benefits portrayed by academics shows that socially responsible business conduct had little or no impact on companies' market value (Mackey 2007) which raises the legitimate question as to whether CSR can contribute to an organisation's best financial outcome.

7.4.1. CSR theories applied by Romanian managers

A substantial proportion of the CSR literature recognises that each stakeholder's own characteristics, such as the specific economic, social and cultural environment they operate in, and their different objectives, will define their particular view of CSR (Aguilera 2005). Therefore, some CSR theories applied in management practices may have a different nuance in the current Romanian economic, social and political context (Stoian et al. 2010; Margolis and Walsh 2003; Campbell 2007). Like anywhere else in the world, there are firms in Romania which adopt concepts of CSR in both a reactive and a proactive manner, as a response to external and internal factors, such as competition from MNCs, compliance with new legislation, and increasing demands from local communities. On the other hand, some organisations introduced CSR just as window dressing, considering CSR as 'nice to have' item on the agenda, while other organisations embedded CSR principles into their management philosophy as observed by Stoian et al. (2010).

In analysing the reasons why companies adopted CSR, Garriga and Mele (2004) identified four theoretical interpretations: instrumental theory, relational theory, political theory and integrative theories.

The *instrumental* theory is concerned mostly with organisational self-interest, viewing an organisation as an 'entity' and promoting a quasi *egoic* position in society (Garriga and Mele 2004; Aguilera 2005; Driver 2006). Instrumental theories view CSR as an *instrument* in creating a competitive advantage and maximising shareholders' value while also doing good (Porter 1980). In Romania, Stoian (2010), Oancea and Diaconu, (2007a) and Popovici (2007) share the view of CSR as providing instrumental 'drivers' for Romanian corporations but Stoian pinpoints the essential differences:

[Romanian] Companies tend to perform socially responsibly only in the short-term, and in disparate actions, without having an integrated strategy for medium or long-term. For many companies there is no link between their CSR and their core activities, thus failing to gain any strategic advantage from such an activity. This type of CSR is likely to have minimum effects on both companies and stakeholders and it is likely to erode the trust in the CSR agenda and its sustainability. (Stoian et al. 2010, p. 422)

In light of the previous studies cited above, the present field research shows that, even when CSR has a very limited meaning for the majority of the company managers, CSR elements clearly identified as OHS and working conditions are applied with the view of creating a competitive advantage by increasing loyalty and productivity. Ultimately it is hoped that the company's bottom line will be increased, as the interviewee A3 said:

In our management philosophy the employee's wellbeing and the work environment is very important as the employee is much more productive in good working conditions.

A similar view is expressed by the interviewee C3 who *ad litteram* suggested:

It is very important to have good working conditions which will increase productivity, quality of the products, and will create employee loyalty.

Following from this, the *relational theory* is mostly concerned with relationships among stakeholders and the manager's duty to get into a dialog with the stakeholders, encouraging their participation in the decision making process – stakeholder management theory (Freeman 1984; Garriga and Mele 2004; O'Riordan and Fairbrass 2008). For example, a survey on CSR conducted in the US, the Netherlands, France and the UK, by Maignan and Ralston (2002), measured communities' requirements

for socially responsible behaviour and found major differences in community expectations across the countries reflecting their economic, social, political and cultural differences.

The present study highlights the statement made above, extending it to the differences in the meaning of CSR in Romanian companies in the current economic, social, political and cultural context. A company's socially responsible behaviour can exhibit significant differences according to the different characteristics of the company and the management team. More educated and open minded management teams, with greater Western business culture exposure, were more open to integrate some social demands in their management philosophy. For example, the owner of company A, also interviewee A1, believed:

I am promoting emotional intelligence in the company management philosophy, but also I have established clear boundaries for how far I am going in accepting these social responsibilities. People with no clear affiliations to these basic human requirements have no place in the management of any company.

Similar views were expressed by interviewee C3 who said 'It is very important to involve the employees in the company's success and reward them when the company is successful and they will come to work with pleasure'. A wider view of the stakeholders and their involvement in the decision making process is expressed by interviewee C1 who asserted: '... [We look at the] creation of a stabile customer base by involving the local furniture manufacturers and have a long term relationship with our suppliers'.

The interviewees' statements clearly show the limited understanding of CSR and the role of stakeholders and their involvement in the organisational decision making process. The government's involvement in a company's decision making process, as one of its major stakeholders, is regulated by specific laws concerning employment, environment, tax and OHS. What is common in these statements is the absence of community involvement which shows the limits of CSR understanding and the lack of community demands concerning CSR. As Oancea and Diaconu (2007c) concluded, stakeholders' involvement in an organisation's decision making is hard to measure, as in Romania, it is not enforceable to report on CSR performance.

The *political theory* focused on the interaction between businesses and society which is mostly viewed as an exercise of power: businesses' social power versus societal power (Davis 1960). The businesses' social power came as a result of businesses owning resources, financial, material, and technological, and through creating jobs. The social power came from citizens using an organisations'

products and their social acceptance, or ‘license to operate’, as a result of growing community expectations. It is accepted that the society generally restricts an organisation’s power by imposing legal compliance, taxation and environmental duties on businesses. Moreover, this can be called a social contract between businesses and society in which the businesses take on board social responsibilities – the integrative social contract theory (Donaldson 1982) – and the company becomes a responsible member of society, or a corporate citizen – the so called corporate citizenship theory (Davis 1973).

If one examines these theories under the microscope significant differences are revealed. Generally, it is recognised that at all social levels Romanian civil society is not fully functional. Government institutions are weak and inexperienced, exploring new territories and, therefore, the economic and social results are unsatisfactory and developments are slow. For example, the conditions of labour practice, environmental management, and transparency in general, and in particular related to CSR, are not acceptable. This is mostly due to relatively reduced compliance with existing laws and insufficient demands from civil society, which is not aware of and very little educated in this field. Interviewee D3 concluded:

We live in a very individualistic society and as far as we have laws which are not applied, I cannot see any substantial progress for CSR in Romania in the near future.

The CSR concepts require transformation across the entire society. At the beginning the concepts may be seen as a challenge to business, but at the same time they are also a challenge to the government, civil society, non-governmental organisations, and academia. In the case of the present research, interviewee C3 expressed his position in this matter:

Personally I believe that we are far from applying the CSR concept in Romania. We have to start educating people from school to understand why it is important to apply CSR. Also if there is not a legal requirement for CSR and no one applies it, why I should do it?

There are groups or organisations, such as Centrul de Resurse pentru Societatea Civilă – [Resources Center for Civil Society], which are smoothing the progress of changes and act as an associate to businesses helping them reach societal expectations and deliver ‘public good’ through supportive discussion, and community training and learning activities. In the meantime, ‘businesses should also expect to be as accountable and transparent as society now expects business to be’ as expressed by the Fundatia pentru o Societate Deschisa – [Foundation for an Open Society] (Visser, 2010, p.327).

In Romania, the textile companies are acting as good citizens developing their local communities by creating employment, providing qualification for locals, contributing to infrastructure development like roads, and addressing the community's environmental concerns. Interviewee D2 stated:

Our work force came from the local community. We are an SME emerging from this community and we do whatever we can to create the best working environment we can for our employees. We are offering jobs with priorities to the locals and in return we get a very good loyalty.

These are very important factors for a country like Romania where the government involvement in this area is inadequate and where corporate and community associations can go far in contributing to the local economy, meeting the society's needs and promoting the conservation of the environment.

Hereto, one can say that the integrative theories, as defined in CSR literature, tackle the issue of managing the social demands and integrating them into business activity (Sethi 1975; Garriga and Mele 2004). In return for integrating social needs into organisations' management philosophy, the organisations gain legitimacy and prestige. There will be a continuous change in society's demands and in the organisations' response to these demands, Ackerman's 'zone of discretion' (1973) or Corporate Social Performance (Carrol 1974; Wood 1991). The field research revealed the managerial response to these issues, which can be seen as primarily embodying the business location, business facilities, production facilities, employees' rights and the employees' engagement in decision making process. Secondly, were managerial responses to the continuous changes in the demand for job opportunities, rent extraction and career opportunities (Peterson and Prost 1981, cited in Garriga and Mele 2004). Finally, the research found that these theories had a temporal and spatial validity.

The challenges of CSR mostly face Romania's local firms, especially the SMEs, which are in the process of defining their identities and their position in society. Later on they look to integrate CSR concepts. This context is mostly created by the transition process that confronts the SMEs with their limited financial resources and knowledge, the weak legal system, the lack of government or institution support, and even corruption.

7.5. Answer to question 3

How do Romanians enact CSR concepts in their organisational contexts?

In order to answer to this research question, the researcher extracted key words from the interviews (see the interview answers attached), correlated them, and linked them

based on the similar meanings of their key words. Using this method the researcher attempted to understand what the Romanian managers perceived the meaning of CSR to be, what actions this meaning generated and how CSR was enacted.

Right from the beginning the researcher has to declare that the sense making of any situation surrounded by a complex environment, such as that of the Romanian economy, takes place as a process. No one individual or organisation comprehends the environment completely or at once. Comprehension is a process which correlates to the individuals' or the organisations' identity within the environment. Comprehension can be seen as fitting together pieces of a puzzle containing different critical situations which are organised according to an individual's or an organisation's declared objectives. As described in the literature review chapter, there are multiple theories and many views of CSR, which very often overlap. To embed any of this whole host of theories in the emerging capitalism of Romania, a manager has to make sense of CSR with only a limited knowledge of these theories. They do so instinctively and intuitively by selecting from the surrounding environment those data (cues) which they perceive as valuable to them and their organisations. The managers do not evaluate various meanings of CSR, as these theories are unknown to them, but instead they evaluate the actions required and organisation's goals and make a rational choice of how they will interpret CSR. This can be seen as an illustration of Weber's (1978) 'Social Action' theory and can be correlated with the communicative action theory of Habermas (1984), which makes a clear distinction between how theories are communicated (communicative actions) and material actions. A manager's perception of CSR has to be correlated with the manager's own identity characterised by their level of education, responsibility, ethics, position in the community, shared past experiences and 'credible' (accepted) stories/narratives about an event (Ojha 2005). The data available to the managers is analysed according to a *frame model*, which creates logical connections of disparate meanings from which they can extract empirical uniformities generally accepted in organisation or in the community. The *frame model* is a model which organises disparate empirical findings in the economic environment according to their value for managers and their organisations, and which are indirectly accepted by the employees and the community through the outcomes of the managerial decisions (such as better OHS and working conditions, their approaches to the environment, philanthropy, and the like).

The sense-making stages used by the Romanian managers, and identified by the present research, had the following sequences:

1. The managers had to *identify the situation* as best as they could, which was not an easy task, as the Romanian economy is in a transition process with

many variables (such as a weak legal system and volatile economy) and this was made even more difficult by the Global Financial Crisis (GFC). This aspect explained differences in managers' CSR decisions even though they were in relatively the same business environment, and also explained the managers' different relationships with their stakeholders.

2. In the following stage, the Romanian managers developed their *framework model* based on accepted systems of values, and established the logical sequences of connections between environmental data, in our case the CSR elements, and the sense making (interpretation) of this data, in order to support the various stakeholders involved (employees, the community at large and the organisation). Selecting the relevant data as a foundation for the *framework model* and based on these logical sequences, they *constructed a story* which was told during the interview process. With the aim of making sense of different conditions, the managers extracted some of their cues from information available, eliminating the non-useful data (or noise) according to their previously established and accepted *frame models*. The created categories are based on actions normally regarded as CSR: OHS, fair remuneration, care for the environment, and competitive advantage. Finally these categories are evaluated according to the expected outcomes (Vicks 1995; Basu and Palazzo 2008).

According to the information elicited from the Romanian managers interviewed, they had to *reframe* their mental model of thinking and rethink the environment in order to accommodate all the changes occurring in the environment, specifically the demands of CSR.

An organisation's main responsibilities were described by Brickson (2007, p. 877) as '...how businesses relate to stakeholders and why they relate to them as they do' which applies also to Romanian organisations. Romanian managers, however, understand that CSR actions are processes which 'managers are likely to adopt in coming up with their own view of what constitutes appropriate relationships with their stakeholders and of the world in which they exist' as Basu and Palazzo (2008) also suggested. The field research leads us to the view that the meaning of CSR held by the Romanian managers is strongly influenced by their company identity and the managers' relationship with stakeholders, which determines their future decisions. At this point the research identified the following aspects which show the process and the level of CSR understanding and implementation:

- The companies involved in this research were well established and were part of their communities. All perceived themselves as a 'good citizens',

taking on board some social needs according to their financial resources. This was mentioned, without exception, by all interviewees and was very well stated by interviewee A3 who said:

- Slowly more companies have to understand that it is not enough to make a profit and pay the tax to the government. Companies have to balance their economic activity and the ethical and social responsibilities. Most Romanian organisations are valuable members of their communities and understand their role in job creation as explicitly mentioned by interviewee C1:

It is OK because I create jobs and I develop the wellbeing of my employees.

- The managers of the companies interviewed (interviewees A1, B3, C1) see themselves, and most importantly the employees see them as:
 - a) Guardians of the company.
 - b) Part of the ‘big family’ of the employees as most of them emerged from this ‘family’.
 - c) On behalf of the company and as part of the community responsible for the wellbeing of the employees and the community to some extent, and
 - d) A role model for the employees and communities.

Excessive personal gain or rent extraction was excluded from two considerations: first, the companies could not afford it and second, it would portray the manager in a bad light which vigorously was underlined by the interviewee A1 by saying:

I am supporting the image of a privately’ owned company with a human face. The profit is not everything’.

Basu and Palazzo’s (2008, p. 10) analysis of CSR sense making looks at organisations as part of a larger group or a ‘community of organisations’, comparing their CSR activities and discovering the commonalities or similarities in their understanding of CSR. Extrapolating from Basu and Palazzo’s (2008, p. 10) view, Romanian managers analysed the commonality of their organisations’ meaning of CSR, expressed in their CSR engagement and activities and adopted a *collectivistic* meaning as expressed by the interviewee D3:

We have to start educating people from school to understand why it is important to apply CSR. Also if there is not a legal requirement for CSR and no one applies it, why should I do it?

From the discussion above, the *collectivistic* meaning of the companies’ social responsibilities is emphasised, based on the *relationships* between various external stakeholders which gives the companies and their managers the legitimacy they

need. A manager's *individualistic* orientation is limited by the employees or the community at large, and a company's *individualistic* orientation will be limited by the stakeholders in various forms (the taxation department, environmental inspectors, and OHS inspectors). Companies with a strong *individualistic* approach will portray an image of 'being the best' in all aspects including CSR which, if not supported by their social activities and performance, will badly damage the company image and CSR. This observation is also made by Stoinan (2009).

The research findings revealed that Romanian managers (98 per cent), used *legal* aspects to justify some of their CSR actions, such as OHS, their codes of conduct and in environment actions, which are legal compliance issues and subject to licensing. Secondly, some of their CSR actions (or inaction), were often *economically* justified, such as providing employees' benefits and philanthropy. The third way of justifying their CSR actions was *ethical* and included aspects of fulfilling some of their stakeholders' needs, specifically their employees' needs. One can conclude that Romanian organisations were implementing the legally required CSR activities, and going beyond this with some internal CSR activities oriented toward achieving competitive advantage, such as qualifying their work force, offering food vouchers, and irregularly being involved in philanthropic activities.

An aspect of Romanian companies engaged in CSR activities, and which is worth noting, is *CSR consistency*. Assessing this aspect is difficult as Romanian organisations do not report any non-financial data, as explained by interviewee E1 from the Romanian Bureau of Statistics; therefore, the analysis is limited to the participant companies. Similar statements related to non-financial data were made by Sethi (2003) in the UK and for Romania by Stoian et al. (2009). To complicate the situation further, the companies which were participants in the present research did not have any clear long term objectives which included CSR activities.

In the light of the above statements, the research revealed that in Romania there was no *external consistency* in the CSR activities and the companies engaged in sporadic CSR activities that had a *reactive character*, responding to the specific events in communities (Sethi 2003; Stoian et al.2009). Such activities were mostly exemplified by irregular philanthropic donations. Despite this *inconsistency* in external CSR activities, Romanian companies showed some level of *internal consistency* and were involved in CSR activities such as improving OHS, working conditions and the environment. As underlined in the previous discussions, the Romanian organisations' motivation for CSR activities had an *instrumental commitment* originating in the nature of CSR which was reactive character external demands. The *internal CSR commitment* had a clear *normative* character as it was

legally imposed on the companies, but there was also a *moral* commitment originating in the bond existing between employees and management. Finally, one can say that Romanian organisations, at time of this research, did not truly see CSR as a business strategy according to interviewee D2, and interviewee D3 stated:

Personally I believe that we are far from applying the CSR concept in Romania. We have to start educating people from school to understand why it is important to apply CSR. Also if there is not a legal requirement for CSR and no one applies it why I should do it?

In terms of the *authenticity* of CSR engagement, Romanian organisations (all companies interviewed) are 100 per cent honest. The meaning of CSR in the Western way is largely unknown and their choice of CSR activities are intuitively selected according to the organisations' objectives.

Generally speaking, the Romanian companies' sense making of CSR was based on what 'social' meant linguistically to them, and what 'responsibilities' the organisation was willing to accept. For most of the companies' managers (90.6 per cent), linguistically 'social' meant employees' needs and therefore CSR was viewed as the company's responsibility towards their employees. In very few cases, the meaning of 'social' was extended to the community as a whole, and when external social responsibility was mentioned, the meaning given was the environment and paying tax which was assessed as a social duty. What is interesting to mention here was the fact that Romanian organisations, and consequently their managers, were able to discern between corporations' bad behaviour and the usefulness of the CSR concepts. In terms of CSR usefulness, all interviewees agreed that CSR was useful and sooner or later CSR concepts would be applied by all companies regardless their size (interviewees A1, B2, C1, C3 and D1). Specifically, interviewee A3 asserted: 'soon Romanian companies [will] have to adopt a new business model which will include, as a long term strategy, CSR'. Interviewee C3 said: 'In an appropriate business environment, I do believe that this concept can be useful'.

In terms of *applying* the CSR concepts, views were divided. Romanian organisations generally viewed themselves as not ready to fully adopt CSR concepts as they were in a weak financial position. Most of them (86 per cent) mentioned that they would definitely consider CSR activities as their financial performance would improve, as was expressed by interviewee D1: 'No doubt CSR is useful. The companies [at the time of interview] have no financial power to engage it but definitely in the future all will be engaged in these activities or concepts as you name it'. Without denying the usefulness of the CSR activities, two managers expressed views that were out of the ordinary. The GM of company D, identified as interviewee D1, said that

‘Unfortunately the profit is in first place and CSR is in second’ which placed him closer to Friedman’s (1970) position, and the second manager from the same company mentioned that profit is what counts at the end of the day.

From a company’s structural point of view, some of the elements of CSR are institutionalised as all companies had an officer responsible for environmental issues and OHS (in some circumstances one person had both responsibilities). Their duties are mostly to overview the company’s compliance with the legislation in the field. Very seldom did this officer go beyond this level of responsibility as he/she had no decision making power and also the company had no financial resources.

There is a strong relationship between managers’ personal characteristics, such as leadership style and ethics, and their organisations’ commitment to CSR (Carlson and Perrewé 1995; Ramus 2001). In the case of the present research, all managers interviewed passed the natural selection process after the drastic transformation of their organisations following the transition process from a state controlled economy to a free capitalist one. The employees in all companies involved in this research, recognised the decisive contribution of the managers to their company’s survival in the process of transition.

In these circumstances, all managers interviewed had a very good reputation inside their organisations and the surrounding communities, exhibited a high level of integrity and dedication to their staff and company, and showed ‘...the basic need to meet commonly accepted ethical principles of ‘good behavior’ as Wilson (2000, p. 13) asserted. They showed a real interest in the concepts of CSR and the researcher managed to raise awareness about CSR and the benefits that it could offer their organisations. Moreover, based on observations made during the interview process, all of them needed some form of personalised management training as they were not fully knowledgeable in some areas such as CG, CSR, leadership and marketing.

In the Romanian context, an important and very common issue of the sense-making process was the matter of trust in the data and its sources that was available to the managers. In Romania, the issue of trust is an endemic one and goes across multiple domains of social life. No-one trusts anyone. Romanians do not trust the politicians, the government, the legal system, the international corporations’, the media – and the list can go on and on. In Romania it seems that trust is not in any way in a socially constructive process. Regrettably the trust is in a socially destructive process. This issue just complicates the existing complex economic and political environment. In the business world the issue of lack of trust is not new and

it is certainly not only a characteristic of Romania. Due to similarities of the transition process in all of East European countries and their similar backgrounds (for example, weak legal systems, inadequate institutions, and widespread corruption), a similar attitude to the issue of trust is assumed.

In the contemporary period there has been an attempt to conceptualise the idea of trust. Simmel's (1900) work on trust discourses underlines the importance of trust in business activities and has been further developed by scholars such as Williamson (1993), Misztal (1996), Lyons and Mehta (1997) and others. For individual managers trust has a crucial role in the sense-making process as trust simplifies the complexity of the environment and of the social system. Trust is considered by Carson et al. (2003) as a 'social lubricant' which '...minimises transaction costs, but also creates value in the exchange relationship' (Dyer and Chu 2003, pp. 61-62). Gariga and Mele's (2004) relational theories assume that the stakeholders' relationships were based to some degree on trust. Analysing the stakeholders' relationship, Parkhe (1998a) stated that 'Trust plays an important (often dominant) role in successful alliances, and managers often cite lack of trust as a key reason for failed alliances, as it was the case with interviewees A2, A3, B3 and especially D1, previously cited, who expressed their mistrust in MNCs.

The importance of trust in stakeholders' relationships is best described by Malhotra and Murnighan (2002, p. 543) as:

'trust' can help solve agency problems, facilitate market processes and increase cooperation within and between organisations. Trust increases cooperation in strategic interactions, information sharing in negotiations and the mutual benefits of interpersonal interactions. Trust can also reduce uncertainty and lead to more efficient negotiated agreements.

Not everybody agrees with these views and Williamson (1993) asserts that trust is 'redundant at best'. Trust can be gained only between close family members and, for Gambetta (2000), it was not desired and could not be assumed or expected as there were 'reasonable degrees of coercion' through the legal systems, such as contract law, which would guarantee the desired outcomes.

The academic debate over the definition and usefulness of 'trust' in business relationship continues until today. What it is interesting to analyse in Romania is how trust may be understood as a social construct. Trust can be directly linked to anticipation of an action and the expected outcome of these actions and involves a degree of incomplete knowledge, which represents the risk. Lewis and Weigert (1985), elaborating on the early works of Luhmann (1979) and Barber (1983), stated that trust is a 'social reality' forming the fabric of society and permeates to

the individual as well as to companies. Lewis and Weigert (1985, p. 967) stated that the ‘...trust which undergirds our everyday lives is a pure social construction...’. From the reviews of the literature on trust, three categories of trust have been identified: *calculative*, based on some form of rationality in decision making and often disregarding any form of trust; *cognitive*, based on some form of knowledge about the expected attitudes and behaviour of another; and *affective*, mostly identified within personal relationships and considered the ‘riskiest’ form of trust (Johnson and Grayson 2005, p. 503).

Romanian managers, as any others, like to base their decisions on some predictions about uncertain actions of others and trust in any form or to any degree is part of that prediction. In this case, predictability derives from a shared meaning of trust which is created according to their conceptualisation of trust as a ‘...communicative, sense-making process that bridges disparate groups’ (Hardy et al. 1998). As interviewees A1, A3, B3 and D1 showed, it is much easier to destroy trust than to construct it. The Romanian legal system has improved considerably since Romania’s adherence to the legal requirements of the EU, and contract law offers some guarantee for business transactions which, as described above, will compensate to some degree for the lack of trust existing in Romanian society and the business environment. Regardless of the legal system’s improvement, Romanian managers expect a higher degree of trust in their business partners. From the interviews carried out, the researcher discovered that many organisations act to the limits of what is legal, or legality is badly eroded because of corruption. Both aspects of Romanian society, the legal system and corruption, will be analysed in separate chapters. Another reason for lack of trust of the Romanian managers is the lack of business education and international exposure to big businesses, which makes managers gullible and vulnerable to all kind of ‘tricks and dubious behaviour’ used by many unscrupulous business people present throughout Romania.

7.5.1. Conclusion

CSR is a concept encompassing multiple views which makes it necessary for Romanian managers and organisations, specifically those in textile industry, to adapt their CSR understanding and sense-making according to their stakeholders’ expectations. At the same time, the organisations influence stakeholders’ expectations. In Romania, the CSR sense-making is a two-way process and has a transactional and transformational character. The transactional character is given by an organisation’s ability to respond to their stakeholders’ continuously changing expectations, which for each communal expectation fulfilled the organisation anticipates something in exchange. The transformational character of CSR is given by the moral or ethical

aspects of the CSR activities performed by the Romanian organisations, which along with the transactional aspects, will provide Romanian organisations with the legitimacy they need to create a better and enhanced business environment. The sense, or the meaning, of CSR perceived by the Romanian managers and their organisations, has a deficient cognitive aspect as it is an intuitive process, where very few elements are institutionalised and so suffers from a lack of consistency and is deeply affected by the phenomenon of trust. Even in these harsh conditions, all of the interviewees agreed that CSR could be, or is, a source of positive changes in the textile industry, adding moral value to the company and ensuring long term sustainable development. In these circumstances, the CSR concepts are innovative and inspirational sources for all Romanian managers.

In the last five years, there is substantial evidence in Romanian and international media that trust, in and within, government, public and private sector institutions has fallen dramatically. This situation can be explained by the relationship between corporations and the society at large, and is based on an asymmetrical power balance where power is sometimes used for unacceptable purposes. Romanian managers are, therefore, very skeptical about adopting CSR, especially when this concept is presented in a pompous way by the international corporations, who contribute so little to the wellbeing of Romanian society. These findings are in line with what Sethi (2003, p. 45) describes; some companies may seek legitimacy engaging 'a flood of public relations rhetoric that are invariably short on specifics and long on generalities, magnanimous in promises and stingy in accomplishment'. The research reveals that a considerable number of Romanian managers are rejecting the Western economic model, promoting common sense in management, a sensible approach to the concept of CSR, and selecting intuitively which elements of the CSR concept are affordable and make sense to them and to their communities.

In the companies interviewed, there were no spectacular press releases about CSR, but as interviewee A1 said, they tried to 'promote an emotional, intelligent form of management' which took on board some social responsibilities which were neglected by other government institutions, filling the existing gap. In the field of CSR at this stage in Romania, there is a confrontation between the eastern and western understanding of what social responsibility a company should assume, revitalising Friedman's (1970) theory. There is a general acceptance that the companies should take on board more social responsibilities than ever before. All companies expressed their goodwill and all are willing to get involved to a greater extent but they are limited by their financial resources.

7.6. Answer to question 4

What is the organisation's process in respect to adoption of CSR?

Prior to answering this question, the researcher looked at different adoption processes described in the specialised CSR literature in order to compare the research findings and build a theory of adoption which will be the theoretical contribution to the body of CSR knowledge. The similarities and differences will be emphasised and the process of CSR adoption by Romania managers identified.

There has been little research conducted into the process of adoption of CSR generally and even less regarding the CSR adoption process in countries with economies in transition (Haberberg et al. 2007, p. 2). Therefore, answering the research question is an important contribution to the process of understanding how and why CSR is adopted and the connections between different stakeholders involved in this process.

The general process of CSR adoption described in the literature (Carroll 1979; Wilson 2000) suffered significant mutation in the Romanian context as the research data reveals. The theory of CSR adoption is based on Wilson's (1975) model of reaction, defense, accommodation and pro-action (RDAP) which was extended by Carroll (1979). This model will be updated according to present economic, social and political circumstances. Some of the aspects of CSR adopted by the Romanian organisations and their managers were instrumentally and relationally based and were extensively analysed in relation to the previous research questions. Other aspects of the understanding and adoption of CSR by different stakeholders will be analysed separately in great detail.

7.6.1. The Theory of Adoption

Even though concepts of CSR have been around for some time, there continues to be confusion and debate in academia, and even more so between practitioners, about the adoption of CSR. The elements of CSR present in Romanian organisations' activities are mostly in place to comply with Romanian legislation and EU requirements. The CSR negotiations between the social partners have a long way to go in order to meet international standards of social responsibility. In the light of the above views, the following statement of the interviewee D3 is relevant:

Personally, I believe that we are far from applying the concept of CSR in Romania. We have to start educating people from school to understand why it is important to apply CSR. Also, if there is not a legal requirement for CSR and no one applies it, why I should do it?

Similar views are presented by Stoian (2009) who says that, at the present time, Romanian organisations have not integrated CSR into their ‘core’ activities and there is no collective or community *consciousness* of the concept of ‘creating shared value’. For the managers of Romanian organisations, these concepts are innovative, totally new, confusing and difficult to understand. In order to understand how CSR concepts are adopted, an understanding of how CSR knowledge is spread is required. For this purpose the researcher will draw upon the theory of Diffusion of Innovations (Rogers 1962) which will explain what, how and why new ideas spread through different cultures. According to Rogers (1962) an innovation’s diffusion (CSR in our case) is a process of communicating the innovation throughout multiple channels existing between the members of a community (organisations and their managers in our research). Tarde (1903) introduced the ‘s’ graph which was named as the *logistic* function of diffusion by Rogers (1962). In the following graph (Figure 9), the dark blue line represents the group of organisations knowing and adopting new and innovative (CSR) ideas and the light yellow line represents their market share. The assessment of the present research data regarding Romanian managers’ level of CSR knowledge found them in the early adoption phase on Roger’s graph below and is shown by the red dot. Similar findings are reported by Asvany (2010).

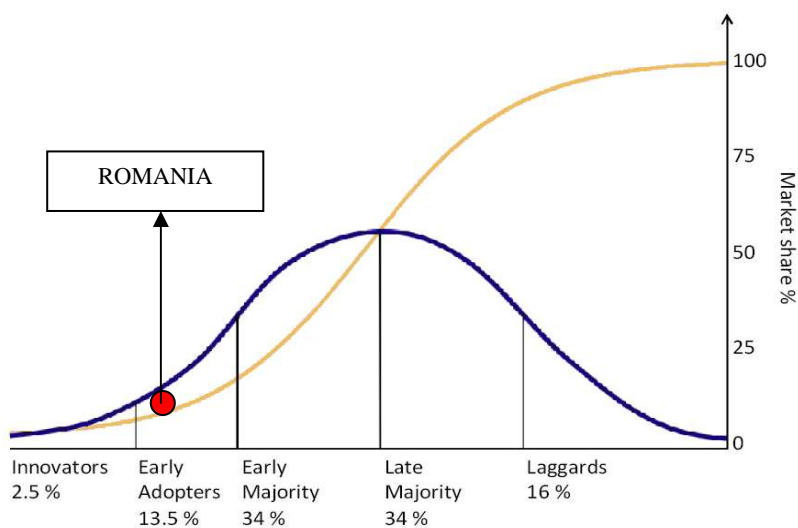


Figure 9: Level of CSR adoption

Adapted from: Rogers, (1962), Diffusion of innovations, p393.

In the specialised literature of the dissemination and adoption of new and innovative social ideas such as CSR, Rogers’ (1962) five phases process seems to be generally

accepted. The process of CSR adoption suffered mutations in Romania due to cultural, economic and political circumstances. However, in Romania in the CSR *early adoption* phase (Rogers 1962) the research identified seven stages: *knowledge, affiliation of the knowledge, assessment, decision, adoption, implementation, and confirmation*.

As previously discussed, Romanian organisations do not report any non-financial activity which makes the assessment process very hard and, in the case of this research, the assessment will be limited to the managers interviewed. In regard to Romanian organisations, the seven stages of CSR adoption process are characterised by the following elements:

7.6.1.1. Stage 1: Knowledge

In Romania there is a lack of CSR knowledge. Most of the Romanian managers interviewed were exposed to the concepts of CSR for the first time by the researcher as stated by the interviewee A1 who said:

No, I have not heard anything about CSR’.

The level of CSR understanding is determined by the level of the managers’ education and the legal system in place’. Interviewee B1 stated:

No, the term is unknown to me. Even in my conversation with the minister’s representatives for the Textile Industry the term was never mentioned. Probably we name it differently’,

Interviewee C2 said that:

It is a vague concept. Maybe I know it under other name or maybe in the Romanian language we name it differently.

Generally CSR concepts are confusing and do not promise any quick and substantial improvement to the organisation’s bottom line and therefore the organisations and their managers are not very much willing to discover more about CSR. Interviewee C1 stated:

Listen, if the government does not care, why should I? I do everything legally and the tax is killing my business. What exactly is expected from me? This CSR is too sophisticated for me. I am busy running my business; I do not need anything else.

7.6.1.2. Stage 2: Assimilation of CSR knowledge

Very few Romanian managers are in the position of actively looking for more information about CSR concepts in order to understand and assimilate this knowledge

and to implement the concepts into their management philosophy. Interviewee B1 stated:

CSR is useful and I would like to know more about it,

Similarly, interviewee D1 said:

I have no doubt that CSR is useful. The companies have no financial power to engage in it but definitely, in the future, all will be engaged in these activities or concepts as you name them.

All Romanian managers participating in this research offered as reasons for not adopting wider CSR activities their weak financial resources and lack of government stimuli as stated by interviewee B3:

Bigger companies have more financial resources and can be more socially oriented.

Interviewee A1 said:

There is no stimulus for adopting a more socially responsible activity for organisations... The government has no money for any kind of financial initiatives to support companies, with or without CSR programs, which has resulted in many SMEs closing down.

7.6.1.3. Stage 3: Assessment of CSR requirements

At this stage the organisations assess the cost and benefits of applying the new CSR concepts and their decision is based on the outcome of their assessment. Romanian managers looked at CSR from the point of view of its *value*, and sought economic benefits (the instrumental aspect of CSR) for their shareholders as stated by interviewee C2:

As a small company, we believe that the legislation should be changed and some social obligations for companies should be imposed in return for some tax benefits. Otherwise everything is left to happen by chance. Why should we consider some social responsibilities and, if we consider them, to what extent should we consider them? We have limited financial resources and therefore we cannot consider, to a great extent, any social involvement. Our company has healthy principles.

At the present time in the Romanian context, CSR concepts seem not to have made a significant contribution to the organisations' bottom line, which explains their lack of enthusiasm for the new concepts as stated by the interviewee C3:

This kind of idealistic company behaviour is good for debate in your university. Here in the real world, we try to survive and we do the best we can. Between the

general social interest and the company's interest, I will protect the company's interest. There is no-one who will do differently in the existing conditions.

In examining the decision making process of CSR adoption in the Romanian context three aspects came to light:

CSR adoption is based mostly on the increasing community social demands which became a new *social norm*, and therefore, the decision to adopt CSR had a *normative character*. In this case the adoption of CSR actually belonged to the community and the companies just responded to these demands. In this situation, the decision had an *external character*, expressing communities' values and norms which were accepted by all constituent members (organisations) of the community. These aspects are expressed by interviewee B1:

I believe a company has responsibility for the environment and its employees. In these days the companies have to be more socially responsible and take on board more costs with the work force and pay for all upgrades to comply with the environmental legislation.

Interviewee A2 also stated:

Slowly more companies have to understand that it is not enough to make a profit and pay tax to the government. Companies have to balance their economic activity and their ethical and social responsibilities'.

In this case we can notice a strong understanding of CSR as associated with welfare. The adoption process and decision making in relation to the CSR activities is decided at the top of the organisation by the board of directors or senior managers and the decision has a *collective character*. In the case of the Romanian companies participating in this research, all were relatively small companies with no boards of directors and the adoption process was mostly in the hands of the companies' managers/ owners which lead us to the next option.

The third option is that the adoption of CSR is an *authoritative* decision and belongs to the owner, manager or CEO who is aware of the meaning and benefits of CSR. Interviewee B2 expressed this when he said, 'I think that all companies should be or are, socially responsible. We have to comply with the legal requirements which keep the companies within boundaries'.

Regardless of how the decision is made always there will be 'champions', 'followers' and 'laggards' in adopting CSR (see Figure 10).

In conclusion, the research revealed that, in Romania, the decision to adopt CSR activities had an *authoritative character* as it was decided by the CEO; GM or the owner of the organisation.

7.6.1.4. Stage 4: Adoption of perceived valuable CSR practices

Even though the understanding of CSR is not fully understood in the Western sense, some CSR elements are present in Romanian organisations mainly as a response to changing employee and community expectations. The adoption by the Romanian organisations of particular CSR activities, such as OHS, improved working conditions, codes of conduct, and environment issues, as discussed previously, clearly show that Romanian managers understood some of the benefits of CSR and have adopted them. This adoption *process* is based on the manager's own sense-making framework of CSR, his own vision of the company and CSR, and is often based on the managers' altruistic values.

7.6.1.5. Stage 5: Decision

A manager's decision in adopting CSR is based mostly on assessing the costs and benefits. Sometimes CSR has an altruistic character as the CSR activity adopted is philanthropy which is oriented to community or employee needs. In this light the position of the interviewee A1 is relevant:

In our actual situation, the employee's boss is his singular point of advice, support, guidance, and thankfully we are close to our employees in supporting them during their private hardships. We offer them a limited amount of money with no interest in cases when a family member is deceased, as there is no form of social programs and benefits. I am supporting the image of a privately owned company with a human face. Profit is not everything.

7.6.1.6. Stage 6: Implementation of specific CSR practices

As mentioned previously, Romanian organisations will implement those CSR elements which make sense to them, obviously prioritising legally specified practices and procedures such as OHS, those involving the environment, and codes of conduct as stated by interviewee D3:,

I think that CSR should be applied to all companies, small or big, as far as there is a legal requirement for it and an education system for CSR in place.

Interviewee B1 stated:

We have legal obligations regarding employment, remuneration and working conditions and also environmental legislation which we have to comply with.'

7.6.1.7. Stage 7: Confirmation (CSR's contribution to the bottom line)

As the research data shows, the adoption of CSR by Romanian organisations has a pragmatic and selective character. The *selective character* consists of which CSR

activities to adopt, and which not to adopt, and is strongly based on the *confirmation* received from the organisations' outcomes. If an organisation's outcomes match stakeholders' expectations, the CSR elements will be kept and used, justifying the manager's decisions as described by the interviewee B2:

We do not have many options. If we want to survive we have to adapt ourselves to the conditions. For example, we have to achieve workforce retention',

This was their priority at the time; and:

In order to be more competitive we are ISO 9001/2008 certified, environmental ISO 14001 certified and OHSAS 18001 certified.

This again was a survival strategy. Similar views were expressed by interviewee A2:

Creation of employees' loyalty by providing good working conditions, OHS, fair remuneration and different advantages (free transport, subsidies for food, bonuses), flexible working hours in some circumstances, and German language courses for some employees. The company is ISO 9001/2008, Environmental ISO 14001 and OHSAS 18001 certified.

This position strongly illustrates the instrumental character of CSR in Romanian organisations. The following flow chart was created to summaries the adoption process:

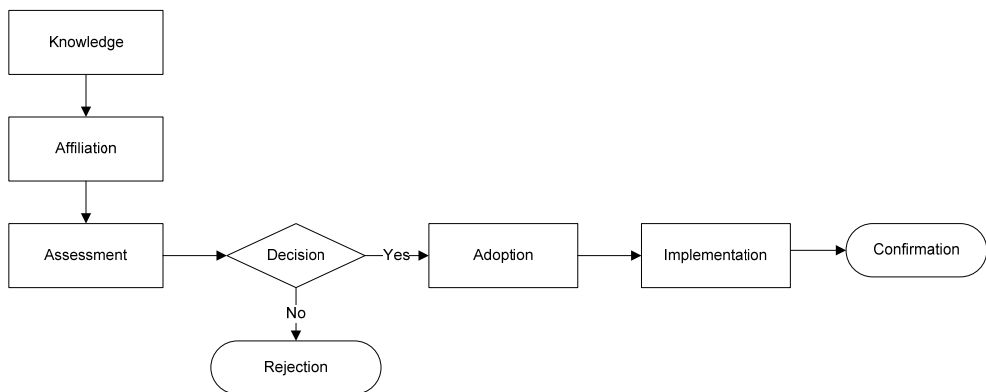


Figure 10: The Process of CSR Adoption

Another aspect to be discussed is how the benefits of what managers perceived as 'innovative' CSR concepts were communicated. Well-informed and trained organisational leaders communicated their approval or disapproval of new CSR concepts through different channels of communication. Internally, an organisation's

CSR performance would be communicated to the shareholders in the general meetings, and externally, would be communicated through the media, conferences and personal contacts. As there was a widespread lack of CSR knowledge, the media would be the most powerful communication channel and therefore it is analysed separately. In Romania there have been very few CSR conferences and unfortunately none of them have been organised with a specific orientation on the textile industry. The managers from this industry, therefore, were not able to benefit from them as much as they could. Frustration about this issue was expressed in many ways and forms by most of the managers interviewed such as interviewee A1, who stated it very clearly:

There are no professional conferences in the textile industry and I suppose that other industries are in the same situation as company bottom lines were affected by the recession’.

In the process of CSR adoption the role of the manager as a change agent is very important. A managers’ personal *convinced* opinion about CSR, corroborated with their business network or relationship, bears a considerable weight in spreading CSR knowledge in any given social system – in our case the community of Romanian textile companies. If the social system in which the company operates is a system open to new and innovative ideas (CSR in our case), as the Romanian social system seems to be, there is a great chance of CSR being adopted and implemented. In Romania, for the new and innovative ideas of CSR to be institutionalised in the existing social system, there are urgent needs for economic, social and political stability with strong business ethical standards. In Romania, the CSR adoption process is informal, involving voluntary commitment.

The following chapters will analyse different CSR instruments used by Romanian organisations and their contribution to CSR knowledge and implementation in the Romanian context.

Table 8: CSR findings overview

Value	Integrates some CSR elements – instrumental, legal aspect Companies behaving as a ‘good citizen’
Governance	Accountability – CSR normative character, feeble institutionalisation Discernment – Which CSR elements are applied and the CSR values chosen
Relationship	CSR fairness – creates a better stakeholder – business relationship Altruistic – philanthropy, filling the gap in government responsibilities Ethical – managers’ culpability, abuse of power (corruption), trust

CHAPTER 8

Conclusion

8.1. Introduction

In the developed world, it required over five decades for the development of the concept of CSR to attain its current level, as described in the literature review chapters. No-one can now deny or ignore the importance of CSR. CSR became fashionable as a ‘nice thing to have’, but CSR has become more than a trend; it has become a reality. It is here, it is real and it has put its economic stamp on all organisations, large or small. What yesterday was a ‘nice thing to have’ today is an imperative. All businesses need to embed CSR into their mainstream business concepts which have become a challenge to all organisations and their managers. The literature review chapters emphasise that international organisations are developing strategies, policies and legislation in order to place CSR into mainstream business activities as a consequences of the challenges facing modern society.

8.2. CSR Overview

The main challenges which the world now faces are: the Global Financial Crisis (GFC) and continuing ecological degradation. Both of them are a consequence of the irrational behavior of organisations and their management. Commentators claim that the GFC is the result of irrational, irresponsible and fraudulent behaviour of international corporations and their managers and is characterised by unlimited greed of executives, fraud, questionable business practices and unscrupulous gratification. Executives award themselves with mega bonuses or pay raises even when they are guilty of sufferings caused to billions of honest citizens (Freeman, Stewart and Moriarty 2009, p. 39; Bathula and Gaur 2011, p. 3; Cox, Friedman and Edwards 2009, pp. 263–265).

The second challenge is the unprecedented degradation of the environment as a result of the irrational and irresponsible use of natural resources such as water and deforestation leading to dramatic climate changes (global warming), desertification and food shortages (Benn, Dunphy and Perrott 2011).

As revealed in the literature review, the main purpose of the adoption of CSR is to attain optimal social equilibrium between organisations' objectives and their stakeholders' objectives. So far there is not any clear and single definition of CSR, but most academics and international organisations gravitate around a few main issues which are described by Adrian Hodges who said CSR should:

promote responsible business practices which benefit business and society and help achieve social, economic, and environmentally sustainable development by maximizing the positive impact business has on society and minimizing the negative (2004, p. 8).

By covering such a wide spectrum of issues CSR theories and concepts continue to be relevant today as Carroll asserted:

the CSR concept will remain an essential part of the business language and practice, because it is a vital underpinning to many of the other theories, and is continually consistent with what the public expects of the business community today. (1999, p. 292)

8.3. Overview of CSR in Romania

The present research identified Romanian managers' sense-making processes around CSR and relevant changes in Romanian organisations in the textile industry to accommodate and implement CSR elements.

Romanian organisations have to face not only international challenges, but simultaneously have to overcome the legacy of the communism which includes: employment practices, environmental management, reforms of the legal system, and corruption. Therefore, in Romania, policies and transparency in the CSR area are not at an acceptable level according to Western world standards, especially those of the US, UK and the EU. This is mainly due to a relatively low level of CSR knowledge, the reduced enforcement of existing laws and lack of demand for CSR standards from inexperienced communities with a low sense of what it means to be a civil society.

8.4. Review of CSR findings

One of the major conclusions which can be drawn is that it is likely that the Romanian managers are confused by the meaning of CSR. This is exacerbated in the context of international organisations promoting their own agenda and objectives which are perceived by Romanian managers as having little to do with CSR. The case of Nokia is relevant as they closed their business in Romania leaving 2000 people unemployed and €10m in unpaid tax to the Romanian government.

The environment is the best known and most commonly understood aspect of CSR for all Romanian organisations. Environmental issues are strongly embedded in all levels of the society, and environmental protection is enacted by Romanian legislation and monitored.

CSR, as understood in Western countries, is relatively less known in Romania and the research identified that, only 13 per cent had some CSR knowledge, 7 per cent were relatively aware, meanwhile 80 per cent had no CSR knowledge. The research findings in Romania are in line with the research results from other Eastern European countries, such as Astvany's (2010) research in Hungary. In Romania, managers' understanding of CSR was mostly elicited by analysing the organisation's CSR performance or by conducting an inventory of the organisations' CSR actions. The research established, once again, the importance of the managers' personal capability in developing a rational and realistic map of the environment in which their organisations operate, and their ability to make sense of these elements of the environment, in our case, the CSR concepts. These findings align the present research with what Ring and Rands (1989, p. 342) established previously regarding managers' personal characteristics and interpretation of the environment.

8.5. Perspectives of CSR in Romania

In Romania, the government is not actively involved in promoting CSR; however, CSR legislation in area of the environment, employment, and OHS is aligned with the EU. Despite this, there are communities' social needs which have to be addressed and business has requirements for improved legislation to facilitate and accommodate their CSR actions. In a country ravaged by the GFC, there is little hope that the government will pay much attention to CSR issues outside of the EU demands, so for the time being, Romanian organisations have to make their choices to adopt CSR practices alone. Private companies are ahead in recognising the value of CSR; meanwhile, the government-owned organisations continue to be burdened by bureaucracy.

Among the consequences of the GFC for Romania is a low level of trust in businesses, particularly foreign MNCs with their pompous rhetoric but failure to transform the rhetoric in CSR actions. Therefore, in Romania, institutionalisation of CSR has a long way to go. Despite these circumstances, Romanian organisations and their managers are able to discern between corporations' bad behaviour and the *usefulness* of CSR. In terms of CSR usefulness, all interviewees agreed that CSR is useful – with the condition that it be applied correctly and honestly. There is a

sense that sooner or later the CSR concepts will be applied by all companies regardless of their size as stated by the interviewee D1:

I have no doubt that CSR is useful. The companies have no financial power to engage in it but definitely, in the future, all will be engaged in these activities or concepts as you name them.

The Romanian social media allocates increasing attention to CSR, as people become more knowledgeable and demand the investigation and reporting of CSR issues. There are more CSR debates in the Romanian mass media than ever before and many international organisations put a lot of effort into promoting CSR through mass media. There were CSR conferences organised in Romania in 2008 and 2009, but unfortunately in 2012, there has not yet been any CSR conference announced, which can be assumed to be a consequence of the GFC.

Slowly CSR is becoming established in Romanian universities. Three years ago there were a handful of CSR articles published, mostly by Romanian students studying overseas. Now Romanian CSR literature grows with an astonishing speed thanks to the enthusiasm of these young academics. Furthermore, some of the big universities with a solid reputation have started to introduce CSR and sustainability into their curricula. There is no doubt that, with the evolution of Romanian society and the development of companies, this will lead to greater community involvement and the demands for ethical and responsible behaviour will prevail. Ultimately CSR will have a clear future in Romania.

8.6. Contribution to CSR

Despite the growth of the Romanian CSR literature, it lacks the abundance, diversity and clarity of the CSR literature in Western countries. Therefore, the present research maps a relatively uncharted territory bringing to light economic, social and political circumstances in which CSR operates in Romania and the CSR sense-making process of Romanian managers.

Previously there has been little research conducted into the general process of CSR adoption as Haberberg (2007, p. 2) stated, 'Less attention has hitherto been paid to what, in practice, influence the adoption and spread of CSR practices within and between organizations'. And there has been even less attention given to the CSR adoption process in countries with economies in transition such as Romania. An important contribution of this research is the explanation of the process of how and why CSR is adopted and the connection between different stakeholders in the CSR adoption process.

In the Romanian economy, confronted with the GFC, relatively new institutions, a low level of law enforcement and a relatively high level of corruption, the level of *trust*, especially in business transactions, is very low. This issue has had a negative impact on the Romanian economy and on the CSR adoption process for a long period of time. The meaning of CSR, as understood by Romanian managers, is deficient: very few elements of CSR are institutionalised, their application suffers from a lack of consistency and they are deeply affected by this lack of trust.

8.7. Strengths and Limitations

The main strength of the present research consists in data being collected from first hand sources. The researcher struggled to keep the original meaning very much unaltered by translation, even though at times these translations may look rough. Some of the answers received made more sense in the Romanian historical context which is deeply known to the researcher as explained in Chapters 5 and 6 of the book.

In analysing Romanian organisations' CSR performance, the researcher was confronted with a number of limitations. One of the research limitations was the relatively low number of participants. The researcher overcame this limitation by having in-depth interviews and discussions about CSR with people holding different managerial positions in representative companies in the textile industry. The second major limitation of the research was the time constraint as the research was carried out in a short time frame determined by the researcher's work-related responsibilities and the costs involved. The present research does not claim that these findings are generally valid, or even absolute, recognising the temporal and spatial validity of the findings as a consequence of relatively small number of participants.

The researcher was exasperated by the complexity of the 'real-world' situation and difficulties of processing a huge quantity of data (ethnographic and qualitative) using NVIVO.

8.8. Final summary

For the coming period of time, the Romanian economy, and implicitly the textile companies, will be deeply affected by the volatility of the financial market in the euro zone. All organisations should have a comprehensive risk assessment process in order to establish their financial power as a response to the decrease in demand for their products on the European markets. The textile industry is, and continues to be, affected by Romania's sovereign debt which will make it even more vulnerable

to competition from Asian countries, and government support is nearly nil. A major requirement, at all government levels, is to improve transparency and stakeholders' participation in the decision making process as a guarantee of a sustainable growth.

The adoption of the Euro, scheduled for 2014, will be a challenge and an opportunity for Romania. If the process is not well prepared for, it may create similar problems to those of Greece – hopefully the lesson has been learned. Opportunities may lie in the European market being fully opened to Romanian organisations. With these conditions on the horizon, the European Commission's 2020 CSR strategies (see EC, IP/11/1238) will create more responsible business, which will also become the new CSR standards for Romanian organisations. The new EU 2020 CSR strategies will also help Romanian organisations to understand how they can benefit from CSR by taking greater steps in fulfilling the needs of the society as whole and creating sustainable organisations by sharing values. The new EU company law coming into place in 2014 will incorporate some CSR elements which will be an important instrument encouraging CSR adoption in Romania. In this respect, Romanian society and Romanian organisations in particular, are in urgent need for continuous CSR education, training and research.

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Appendices

Appendix 1 **Registrations of Commercial Companies with Foreign Participation** **in Subscribed Social Capital by Investors Residence Country* in January 2009**

	Registration of commercial companies	Value of total subscribed social capital						
		National Currency			Currency			
		Number	Structure %	National Currency	Structure %	\$000s	Structure %	€000s
Denmark	5	1.8	3549.2	27.60	1171364.0	27.23	909487.8	27.23
Luxembourg	5	0.8	2852.5	22.18	994821.0	23.05	772413.7	23.05
Cyprus	31	5.0	2725.9	21.20	866765.0	20.08	672986.5	20.08
Switzerland	8	1.3	1002.1	7.79	359261.0	8.32	278942.8	8.32
France	22	3.5	699.9	5.44	249166.0	5.77	193661.2	5.77
China	21	3.4	368.7	2.87	125988.0	2.92	97821.5	2.92
Germany	51	8.2	324.9	2.53	107808.0	2.50	83705.9	2.50
Austria	24	4.8	317.6	2.47	106002.0	2.46	82303.6	2.46
Greece	25	4.0	253.0	1.97	86184.0	2.00	66916.3	2.00
Italy	141	22.6	225.3	1.75	74273.0	1.72	57668.1	1.72
Spain	29	4.6	177.1	1.38	55228.0	1.28	42880.9	1.28
Hungary	69	11.1	125.7	0.98	39260.0	0.91	30482.8	0.91

	Registration of commercial companies		Value of total subscribed social capital					
			National Currency		Currency			
	Number	Structure %	National Currency	Structure %	\$000s	Structure %	€000s	Structure %
B Virgin Isl.	2	0.3	58.4	0.46	19784.0	0.46	15361	0.46
Nederland	13	2.1	39.1	0.39	14495.0	0.34	11254.4	0.34
Syria	4	0.6	24.5	0.19	7601.0	0.18	5901.7	0.18
Turkey	33	5.3	22.2	0.17	7346.0	0.17	5703.7	0.17
Pakistan	1	0.2	20.0	0.16	6223.0	0.14	4831.8	0.14
Moldova	25	4.0	13.8	0.11	4539.0	0.11	3524.2	0.11
Portugal	3	1.7	9.8	0.08	3912.0	0.09	3037.4	0.09
UK	16	2.6	7.6	0.06	2567.0	0.06	1993.1	0.06
USA	27	4.3	7.1	0.05	2367.0	0.05	1837.8	0.05
Sweden	5	0.8	7.7	0.06	2347.0	0.05	1822.3	0.05
Israel	22	3.5	4.2	0.03	1350.0	0.03	1048.2	0.03
Lebanon	5	0.8	3.9	0.03	1312.0	0.03	1018.7	0.03
Bulgaria	9	1.4	3.2	0.02	1046.0	0.02	812.2	0.02
Monaco	3	0.5	2.3	0.02	681.0	0.02	528.8	0.02
Belgium	5	0.8	1.6	0.01	558.0	0.01	433.3	0.01
Total	604	100.0	12847.3	100.00	4312248.0	100.00	3348379.7	100.00

** Includes a selection of countries according to the size of total subscribed social capital in foreign currency equivalent. Source: National Office of Trade Register*

Appendix 2

Registrations of Commercial Companies with Foreign Participation in Subscribed Social Capital by Investors Residence Country* in January 2009

	Registration of commercial companies	Value of total subscribed social capital expressed in:						
		National Currency		Currency				
		Number	Structure %	National Currency	Structure %	US\$000s	Structure %	€000s
1991	5499	3.4	258165.5	0.4	1058261.0	3.6	817975.6	3.7
1992	11765	7.3	65153.0	0.1	573271.2	1.9	443106.2	2.0
1993	10583	6.6	92793.2	0.1	417844.8	1.4	322970.3	1.5
1994	11053	6.9	230535.9	0.3	881673.3	3.0	681483.5	3.1
1995	3400	2.1	67893.9	0.1	237717	0.8	183741.8	0.8
1996	3630	2.3	229256.3	0.3	573594.2	1.9	443355.8	2.0
1997	5251	3.3	232229.8	0.4	359912.8	1.2	278192.2	1.3
1998	8801	5.5	728612.4	1.1	755475.3	2.6	583939.6	2.6
1999	7383	4.6	1214843.7	1.9	944365.3	3.2	729940.9	3.3
2000	8567	5.3	1870247.9	2.9	839143.8	2.8	648610.6	2.9
2001	7175	4.5	4820820.8	7.4	1540811	5.2	1190959.4	5.4
2002	7518	4.7	3541822.9	5.4	1078746	3.7	833809.6	3.7

	Registration of commercial companies	Value of total subscribed social capital expressed in:						
		National Currency			Currency			
		Number	Structure %	National Currency	Structure %	US\$000s	Structure %	€000s
2003	6609	4.1	4441402.8	6.8	1288885.0	4.3	996235.1	4.5
2004	10167	6.3	9040577.5	13.8	3032218.4	10.2	2343732.9	10.6
2005	11719	7.3	7173157.1	11.0	3149681.6	10.6	2434525.4	11.0
2006	12823	8.0	6646972.2	10.2	3127314.6	10.6	2417237.0	10.9
2007	15720	9.8	7737574.2	11.8	3314201.6	11.2	2389392.2	10.8
2008	12264	7.6	15034925.8	23.0	5924852.8	20.0	3984432.8	18.0
2009	624	0.4	1984383.8	3.0	536829.2	1.8	416812.8	1.9
TOTAL	160551	100.0	65411369	100.0	29634798.8	100.0	22140453.6	100.0

** Includes a selection of countries according to the size of total subscribed social capital in foreign currency equivalent.*

Source: National Office of Trade Register.

Appendix 3

Foreign Direct Investment (FDI) based on country of origin, 2008

FDI	€m	% of Total
TOTAL	34512	100.0
Austria	7942	23.0
Netherlands	5887	17.1
Germany	3473	10.1
France	2766	8.0
Greece	2680	7.8
Switzerland	2372	6.9
Italy	2322	6.7
Cyprus	1674	4.8
Hungary	663	1.9
USA	628	1.8
Others	4105	11.9

Sources: National Bank of Romania & National Institute of Statistics

Appendix 4

Ongoing LIFE NAT projects in Romania

	Project Title	Project Number	Website	Total Budget (€)	EC Contribution (€)	Start Date	Expected end date
1	Conservation of the natural wet habitat of Satchinez	LIFE02 NAT/RO/008573	http://www.lifesatchinez.ro	243.500	146.100	1/10/2002	1/10/2005
2	In situ conservation of large carnivore in Vrancea County	LIFE02 NAT/RO/008576	www.carnivoremari.ro	468.588	351.441	1/09/2002	30/11/2005
3	Participatory management of Macin mountains protected areas	LIFE03 NAT/RO/000026	http://www.muntimacin.ro/	600.000	300.000	1/07/2003	30/06/2006
4	Restoration forest habitats from Pietrosul Rodnei biosphere reserve	LIFE03 NAT/RO/000027	www.icassv.ro/life_pietrosu	213.470	106.735	1/06/2003	1/06/2007
5	Natura 2000 sites in the Piatra Craiului National Park	LIFE03 NAT/RO/000032		582.050	291.025	1/07/2003	1/07/2007
6	Improving wintering conditions for Branta ruficollis at Techirghiol	LIFE04 NAT/RO/000220	www.savebranta.ro	657.028	492.771	1/09/2004	29/02/2008
7	The forests with Pinus nigra banatica – part of NATURA 2000	LIFE04 NAT/RO/000225	http://www.pinusnigra banatica.ro/	814.770	611.078	1/07/2004	1/07/2007
8	Ecological restoration of the Lower Prut Floodplain Natural Park	LIFE05 NAT/RO/000155		824.710	412.355	1/11/2005	30/10/2009

	Project Title	Project Number	Website	Total Budget (€)	EC Contribution (€)	Start Date	Expected end date
9	Saving Vipera Ursinii Racociensis in Transylvania	LIFE05 NAT/RO/000158	www.crim.ro	517.723	388.292	10/01/2005	9/01/2009
10	Conservative management of alpine habitats as a Natura 2000 site in Retezat National Park	LIFE05 NAT/RO/000165		512.150	256.075	1/10/2005	31/12/2008
11	Saving Pelecanus crispus in the Danube Delta	LIFE05 NAT/RO/000169	www.ddbra.ro	656.928	492.696	1/11/2005	30/09/2009
12	Enhancing the protection system of large carnivores in Vrancea county	LIFE05 NAT/RO/000170	www.carnivoremanari.ro	577.989	346.793	1/10/2005	1/10/2009
13	Priority forest, sub-alpine and alpine habitats in Romania	LIFE05 NAT/RO/000176	www.unitbv.ro/silvic	1.246.719	934.008	1/01/2005	30/01/2009
14	Conservation, restoration and durable management in Small Island of Braila, Romania	LIFE06 NAT/RO/000172		978.419	489.209	1/09/2006	30/10/2010
15	Conservation and integrated management of Danube islands Romania	LIFE06 NAT/RO/000177		567.953	283.977	1/09/2006	31/08/2010
16	Conservation program for Bat's Underground Habitats in SW Carpathians	LIFE00 NAT/RO/007187		339.393	169.697	1/08/2006	31/01/2005

Sources: <http://ec.europa.eu/life/> European Commission, DG Environment – LIFE Unit, Page 7